Austria	Sch 20	Indonesia	Rp 3100	Philippines	Pes 20
Bahrain	Din 0.650	Israel	Shk 3.50	Portugal	Esc 100
Belgium	BFr 48	Italy	L 1500	S. Arabia	Rls 6.00
Canada	C$1.00	Japan	Y 260	Singapore	S$4.10
Cyprus	C£0.75	Jordan	Fils 500	Spain	Pta 125
Denmark	DKr 8.00	Kuwait	Fils 500	Sri Lanka	Rup 30
Egypt	E£1.00	Lebanon	L£ 25.00	Sweden	SKr 7.00
Finland	Fmk 6.50	Luxembourg	LFr 45	Switzerland	SFr 2.20
France	FFr 6.50	Malaysia	Rin 4.25	Taiwan	NT $65
Germany	DM 2.20	Mexico	Pes 300	Tunisia	Din 1.375
Greece	Dr 80	Morocco	Dh 6.00	Turkey	L 350
Hong Kong	HK$ 12	Netherlands	Fl 2.75	U.A.E.	Dh 6.50
India	Rup 15	Norway	NKr 7.00	U.S.A.	$1.00

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,050 — Monday October 6 1986 — D 8523 B

Opec talks face a squabble on quotas, Page 5

World news

Damaged Soviet submarine under way

A SOVIET nuclear-powered submarine that caught fire on Friday and burned for two days in the Atlantic regained power last night and was heading east for an unknown destination, the US Defence Department said. Three crewmen died in the accident.

A senior source in the British Defence Ministry said there had been an explosion in the number two missile silo on the right hand side of the vessel, apparently caused by the missile's propellant.

The Soviet Union's speedy reporting of the fire defused possible friction with the US in advance of this week's Iceland meeting Page 3

Iran shells Basra

Iran said it had begun a 48-hour artillery attack on Basra, Iraq's second-largest city, and claimed its jets had bombed and strafed "an Iraqi economic centre" at Kut, south-east of Baghdad.

Kampala arrests

Two Ugandan ministers and a former vice-president have been arrested and accused of attempting to cause instability. During the arrest operation, a soldier was shot dead.

Moscow overture

Soviet Vice-Foreign Minister E. A. Rogachov, in Peking for a crucial round of talks on improving Sino-Soviet relations, said he was willing to discuss any question raised by the Chinese side. Page 2

Armenians seized

Paris police detained about a dozen Armenians in connection with last month's bomb blasts in the city and a threat of further attacks from an Armenian nationalist group.

Pakistani denial

Pakistan rejected as baseless a charge by Afghanistan that its forces fired 700 missiles into a border area last month, killing 52 people, all but two of them children.

Warning to Botha

Zulu Chief Mongosuthu Buthelezi ruled out any meaningful talks between blacks and whites unless President P. W. Botha accepted that South Africa was one country and that it must have a single parliament.

Mexican oil blaze

Some 25,000 barrels of oil a day are being lost in a fire at an oil field at Villahermosa, Mexico, which 200 firemen have been trying to control for two weeks.

Kasparov closer

World chess champion Garry Kasparov moved within half a point of retaining his title by scoring his fifth victory over challenger Anatoly Karpov in the 22nd game of their series in Leningrad. He leads by 11½ to 10½ and needs only one draw from the remaining two games.

Royal car accident

Britain's Duke and Duchess of York escaped unhurt from a minor traffic accident on their way from The Hague to a church service in Rotterdam. Their car was in collision with an escort vehicle.

Salvadoreans march

About 15,000 peasants and workers marched through San Salvador to demand an end to El Salvador's seven-year civil war.

Cairo trial put off

The trial of 182 Egyptian police conscripts charged with murder, rioting and damaging property was postponed until December. At least 107 people died in the riots last February when conscripts went on the rampage after a rumour that their three-year service was being extended.

Dancing Brave wins

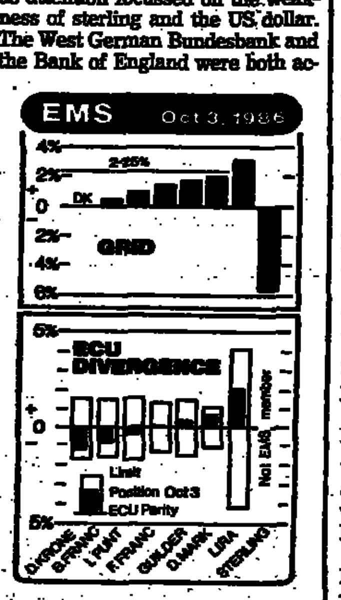
The favourite, Dancing Brave, owned by Khaled Abdullah, ridden by Irish jockey Pat Eddery and trained by Guy Harwood in Sussex, won the Prix de l'Arc de Triomphe at Longchamp.

Business summary

Zainuddin family to sell stake in UMBC

DAIM ZAINUDDIN: The family of Daim Zainuddin, Malaysian Finance Minister, signed an agreement to sell off its controversial 50.58 per cent stake in United Malayan Banking Corporation, third largest local bank, to Pernas, a government investment agency, for an undisclosed amount. Page 18

EUROPEAN Monetary System: Currencies showed very little overall change from the previous week as attention focussed on the weakness of sterling and the US dollar. The West German Bundesbank and the Bank of England were both active supporting the pound. The dollar fell nearly 2 per cent against the D-Mark but there was no renewed pressure on the weaker members. The Danish krone remained at the bottom of the system but was trading comfortably at around 58 per cent of its maximum divergence.



The chart shows the two constraints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross rates from which no currency (except Lira) may move more than 2¼ per cent. The lower chart gives each currency's divergence from its "central rate" against the European Currency Unit (ECU), itself a basket of European currencies.

NORWAY'S minority Labour Government today tables an austerity budget for 1987, reflecting the country's serious economic problems caused by the oil price collapse. Page 5

AUSTIN ROVER, UK state-owned car group, is threatened with halting all car assembly later this week and laying off up to 20,000 workers unless there is a quick end to industrial action by employees at the troubled components supplier Lucas Electrical. Page 8

TSB GROUP, UK's Trustee Savings Bank, has detected 6,200 suspected multiple applications for shares in its flotation. Page 9

CHEUNG KONG Holdings, Mr Li Ka-Shing's flagship company, sold the Hong Kong Hilton Hotel to HongKong electric holdings, a utility company in which Mr Li holds a controlling 34 per cent stake, in a deal worth HK$1.03bn ($132m). Page 22

ROYALE BELGE, Belgian insurance group, announced a significant expansion of its financial interests with the acquisition of Ippa, 10th largest banking group in the country. Page 22

WORLD BANK has long been established as the largest single borrower on international bond markets, but now, according to its treasurer, Eugene Rotberg, its paper is becoming scarce. Page 22

ARCHITECTS Whinney Mackay-Lewis of London and Clark Tribble Harris & Li of the US plan to join the Unlisted Securities Market through placings of their shares. Page 24

UNION Explosivos Rio Tinto, Spain's leading chemicals group, has begun talks with Spanish and foreign creditor banks to try to accelerate repayment of the remainder of its debt. Page 22

US and Soviets dampen hopes of talks breakthrough

BY STEWART FLEMING, US EDITOR, IN WASHINGTON AND PATRICK COCKBURN IN MOSCOW

SOVIET and American officials yesterday played down the possibility that President Ronald Reagan and Soviet leader Mikhail Gorbachev will reach any formal agreements at their meeting in Iceland later this week.

Although they have agreed to try to impart new momentum to their arms reduction talks at the Iceland meeting they are also underscoring the considerable distance that separates them on key issues.

Mr George Shultz, the US Secretary of State, interviewed on US television yesterday, stuck firmly to the position the US has taken from the day it announced the Iceland "pre-summit summit" last Tuesday. This is that the talks in Reykjavik next weekend are designed to try and narrow years of difference between the superpowers rather than sign agreements. "The president welcomes this opportunity for further preparations for the upcoming summit in the United States (and) hopes it will move matters forward," Mr Shultz said.

There are signs too that after initially appearing to want to pressure the US by raising expectations about the Iceland meeting, the Soviet Union is now also seeking to lower the diplomatic temperature.

Mr Gennadi Gerasimov, a Soviet Foreign Ministry spokesman, said yesterday in New York: "At Reykjavik we must find some kind of common ground for our bureaucracies, our foreign ministries, to talk details and then to have a kind of agreement, a kind of achievement, during the real summit."

The Soviet Communist Party daily Pravda said yesterday that it would not be easy to reach agreement on the reduction of nuclear arsenals at the Reykjavik meeting.

Pravda said the most important development was that the meeting was being held at all and "that it will be possible to discuss key problems of our times during it."

Until now Soviet leaders and press have expressed greater optimism and expectations about the possibility of reaching agreements in Reykjavik than their US counterparts.

In New York Mr Gersimov said that the "priority number one for us is to agree to stop nuclear tests."

However, Mr Shultz, speaking a few minutes later on the same television programme, stressed that so far as the US was concerned "as long as we rely, as we do, on nuclear weapons as our primary deterrent, there will need to be testing."

Nevertheles he pointed out that the US was ready to move towards ratifying existing treaties limiting nuclear tests if improvements on verification of the treaties could be reached.

He also agrees that for the development of equipment for some elements of the proposed Strategic Defence Initiative nuclear tests were needed. Halting the SDI programme is seen as one of the top Soviet priorities in the arms negotiations.

Mr Shultz's remarks came as the White House is trying to exploit the rush to the Iceland summit in order to head off legislation in Congress which would, among other things, require President Reagan to halt tests for a year, sharply cut SDI spending and force him to abide by the Salt 2 agreement.

Congressional leaders yesterday signalled that Mr Reagan, who last week suffered a stinging defeat on his South African policy at the hands of a Senate controlled by his own party, may find it hard to secure Congressional agreement to completely drop its demands.

Mr Reagan's prestige in the days leading up to the summit, hurt by the South African vote, has been further damaged by the evidence which has surfaced in the past few days that the White House deliberately conducted a "disinformation" campaign against Libyan leader Muammer Gadaffi in August.

The affair will tend to erode the credibility of its public statements, particularly on terrorism, with its allies and with the news media.

Siemens ahead in battle to gain control of CGCT

BY PAUL BETTS IN PARIS

SIEMENS of West Germany has become the front runner in the international battle to gain control of Compagnie Générale de Constructions Téléphoniques (CGCT), the troubled French telecommunications group which supplies 16 per cent of France's public telephone exchange market.

Mr Jacques Chirac, the French Prime Minister, is now understood to favour a link-up between Siemens and CGCT to form a new European telecommunications grouping rather than see the French company join forces with American Telephone & Telegraph (AT&T).

The French Government believes a deal between Siemens and CGCT would reinforce Franco-German relations as well as help remove eventual German objections to the agreement between France's nationalised Compagnie Générale d'Electricité (CGE) and ITT to create a new telecommunications venture controlled by the French company. This venture would create the world's second largest telecommunications concern after AT&T.

The CGE-ITT telecommunications venture would bring ITT's West German subsidiary, Standard Elektrik Lorenz (SEL), into CGE's orbit, giving CGE a significant foothold in the West German public telephone market. In turn, a link-up between Siemens and CGCT would enable the leading West German concern to gain an important share of the French public switch market.

Although the US is continuing to put pressure on the French Government to give the go-ahead to a CGCT-AT&T link-up which has been under negotiation for the past 18 months, the Chirac Administration appears to be cooling towards the US alternative.

The US group appeared as the front runner to clinch the deal this summer until West Germany and Siemens started putting pressure on the French Administration.

Should France and Germany fail to resolve the outstanding difficulties obstructing a Siemens-CGCT link-up, French industry sources now believe that Ericsson of Sweden could provide a suitable alternative partner for CGCT.

AT&T's chances, however, seem to have declined sharply although it is still supported by some members of the Administration.

"The AT&T proposals are a bit like Howard Hughes famous multi-engine airplane with all its engines. People have talked about it for the past year and a half but it seems it will never fly," remarked a source close to the CGCT negotiations.

One of the principal difficulties holding up a Siemens deal with CGCT is the continuing rivalry between the West German telecommunications authorities and the French telecommunications authority, the Direction Générale des Te-

Continued on Page 18

Latin America 'may need' debt relief from commercial creditors

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT, IN LONDON

SEVERAL COUNTRIES in Latin America may need to be granted interest relief by their commercial bank creditors if they are to cope with an excessive burden of foreign debt, a senior executive of Bank of America said in Miami at the weekend.

Mr Ulrich Merten, senior vice-president in charge of relations with Latin America and the Caribbean, stressed that he was presenting a personal view. But his remarks to a banking conference came as a shock to delegates because of Bank of America's large loan exposure to the region.

Mr Merten spoke as a groundswell of deep dissatisfaction gripped the banking community in the wake of last week's International Monetary Fund annual meeting, over how the developing countries debt problem is being handled.

The dissatisfaction turned to open rebellion at the Miami conference when Mr Louis Schirano, senior vice president of First Interstate Bank, a leading US regional bank, said the latest rescue package agreed for Mexico at the IMF meeting was "ill-conceived, ill-funded and ill-executed."

"What is needed for Mexico is not an increase in debt but a reduction in debt," he told the conference which was organised by the International Finance Corporation and the banking magazine, Euromoney.

The $6bn in new loans to be provided by commercial banks under the latest package was insufficient to stimulate growth in the Mexican economy at the required rate of 3 to 4 per cent, he added.

Mr Schirano, until recently an executive with Bankers Trust, has – like Mr Merten – had a close involvement in Latin American affairs since the debt crisis started in 1982.

Interest rate relief for some debtors would be necessary because they were already over-extended with borrowing and it would be counter-productive to lend more money to finance interest payments, Mr Merten said.

"It makes very little sense in terms of commercial bank lending to pile new credits on old credits," he said. This was particularly true if the new loans carried high floating rates of interest.

Instead, what should be considered was a transformation of debt into low interest fixed-rate obligations at a cost related to the debtor country's real economic potential. This might be 3 to 4 per cent in the worst cases and rise to 8 per cent for countries with a more favourable outlook, he said.

Some countries such as Brazil and Colombia would not need such treatment at all.

Venezuela debt deal, Page 2

London pins rates hope on money supply

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT, IN LONDON

THE BRITISH Government is hoping that the publication tomorrow of better-than-expected figures for the growth rate of Britain's money supply will dampen pressure for a rise in interest rates during this week's Conservative Party conference.

The expectation that financial markets will be pleasantly surprised by the figures partly explains why the Bank of England held off from raising interest rates to defend sterling last week. Instead, the authorities sought the assistance of West Germany's Bundesbank to prop up the pound through intervention on foreign exchange markets.

The co-operation with the Bundesbank came after Bank of England efforts to stabilise the pound began to conflict with the West German central bank's efforts to prevent the dollar sliding. The failure last week of major industrial countries to agree on a joint approach to interest rates and exchange rates put pressure on the dollar and added to worries about sterling.

Officials at the International Monetary Fund meeting in Washington said that the Bundesbank had also indicated that an acceleration in the growth of its money supply last month had effectively ruled out an early reduction in its interest rates. Such a move would have helped to reduce speculation against sterling by making the D-Mark less attractive to investors.

Mr Nigel Lawson, the UK Chancellor of the Exchequer, is thought to have been under strong pressure from his Cabinet colleagues to hold bank base rates at their present 10 per cent, at least until the end of the party conference.

The money supply figures, which will be released the day the conference opens, are thought to show that sterling M3, the most closely-watched money supply indicator, grew by appreciably less than forecasts in financial markets.

Most City of London forecasters anticipate that sterling M3 will show growth of 3 per cent or more in September, largely because of signs of heavy official borrowing last month and still-buoyant private sector credit.

The data in the authorities' hands last week, however, is believed to show that while there was not a dramatic reversal of the relatively buoyant growth in sterling M3 seen in recent months, the market forecasts are much too high.

In the 12 months to August, sterling M3 grew by 18½ per cent – well outside the Government's target range of 11 to 15 per cent. This, along with still-high wage settle-

Continued on Page 18

US car sales reach record 16m for year

BY RODERICK ORAM IN NEW YORK

A RECORD 16m cars and trucks were sold in the US in the 1986 model year ending last month, up from 15.6m in 1985, the previous best year. Low cost financing in September and growing demand for light trucks were the main factors behind the record.

Sales of 11.2m domestic and imported cars alone, however, fell short of the 11.5m cars record set in 1973. Moreover, Detroit lost further ground to foreign manufacturers, taking only 72 per cent of the market against 75 per cent a year earlier.

Financing incentives introduced to cut large stocks of 1986 models brought a surge of sales early last month but the volume fell towards the end. General Motors' car sales in the last 10 days of the month, for example, were 25 per cent lower than a year earlier.

For the full month, GM's car sales rose to 342,164, up 15 per cent from a year earlier, while total truck sales rose 26 per cent to 183,258. Ford, which had smaller inventories, saw its car sales fall 4.2 per cent to 219,809, but truck sales leapt 49 per cent to 152,019. Chrysler's car sales were up 29 per cent to 156,499 although trucks were ahead only 4 per cent to 55,828.

For the full year, however, the three manufacturers managed only fractional gains in total car and truck sales. GM sold 5m, Ford 2.63m and Chrysler 1.44m, in each case a rise of less than 0.2 per cent from 1985.

General Motors is forecasting demand for more than 15m vehicles this model year, but many motor industry analysts are less optimistic. They believe that September's incentives brought some sales forward, which could result in lower demand this year.

Greyhound bus sets out for an unknown destination

By Anatole Kaletsky in New York

THE GREYHOUND bus may soon be on the route to oblivion. The largest road transport network in the Western world – which for more than 50 years has been a symbol of the restlessness at the heart of American society – has been put up for sale and possible dismemberment, as Mr John Teets, the chairman of Greyhound Corporation, quietly revealed on Friday.

The sale, if it takes place, will be as much a social as a business landmark. For generations of economy-minded travellers the Greyhound ticket has been a passport to the American dream – or the American nightmare. And as the bus line's silver Scenicruisers with their neatly uniformed, impersonally friendly drivers have raced along the highways of modern America, they have afforded glimpses not only of the country's natural monuments but also of its social aspirations, fantasies and fears.

In the 1950s it was the Greyhound bus that took small town Americans to seek their fortunes in the big cities and offered blacks an escape route from the rural shanty towns of the south to what rapidly became the industrial ghettos of the north.

In the 1960s, it was the bus that brought the long-haired teenagers to college to expand their minds or "blow" their minds on LSD and flower power.

In recent years the Greyhound carried thousands of illegal workers from the Mexican border to the vineyards of California and the textile sweatshops of the Carolinas. In California and Texas, Spanish rather than English is the language of choice for many Greyhound telephone operators.

The Greyhound also came to represent the darker, sleazy side of the American dream. As the years went by, the bus station – almost invariably lying in the heart of each city's red-light district – became the backdrop for the frightening decay of US urban life.

From the great cities such as Los Angeles and Detroit to the smaller towns like Fresno and Kalamazoo, the bus station became synonymous with criminality, degradation and vice – a place where many middle-class Americans would never dare to venture.

Today it seems appropriate that Greyhound faces the same prospect as many other corporate symbols of America's heyday from US Steel down – dismantlement at the hands of unsentimental financial operators against a background of deregulation and demands for huge con-

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Sino-Soviet talks to test Gorbachev friendship initiative

BY ROBERT THOMSON IN PEKING

THE SOVIET Deputy Foreign Minister, E. A. Rogachov, arrived in Peking yesterday for a crucial round of talks on improving Sino-Soviet relations that will be an important indicator of whether the friendship initiative of the Soviet leader, Mikhail Gorbachev, has lost momentum.

China and the Soviet Union have held eight rounds of "normalisation" talks since 1982, but the meeting beginning today is the first since the landmark Vladivostok speech by Mr Gorbachev in late July, which was an attempt to speed the improvement of relations.

On arriving at Peking airport, Mr Rogachov said that he was willing to discuss any question raised by the Chinese side and would address the issues raised by the Soviet leader in the Vladivostok speech.

Mr Gorbachev said the Soviet Union would be prepared to withdraw troops from the Sino-Soviet border, and appeared to concede territory on the disputed northern border. He had previously suggested that Moscow would withdraw some troops from Afghanistan.

As such, the Soviet leader was addressing two of the "three obstacles" to normal relations cited by China: the massing of Soviet troops on the Chinese border, the Soviet invasion of Afghanistan and Soviet support for the Vietnamese occupation of Kampuchea.

China has made clear that the most important of those obstacles is the Vietnamese occupation. Chinas' paramount leader, Deng Xiaoping, has even suggested that he would agree to a summit with Mr Gorbachev if the Soviet Union convinced Vietnam to withdraw.

Diplomats say China will want evidence that Moscow has applied pressure on the Vietnamese leadership to pull out, and if Moscow has not, Peking is likely to take Mr Gorbachevs initiative less seriously.

Senior Chinese foreign ministry officials have made clear that they think the Vladivostock speech was mostly talk and little action, and diplomats have noticed little softening of the Chinese attitude to Moscow.

Meanwhile, diplomats noted the retirement of Mr Ivan Arkhipov, the Soviet First Deputy Prime Minister, who has been a significant player in Sino-Soviet relations, and who came to Peking in the wake of the Vladivostok speech for both medical treatment and discussions with Chinese officials.

Mr Arkhipovs' China connection goes back to the 1950s and he is known to have good personal relations with several senior Chinese leaders. The Chinese news agency, Xinhua, said that he "has worked to improve relations between the two countries."

Mr Caspar Weinberger, US Defence Secretary, arrives in China on Tuesday to cement discreet military links between the capitalist superpower and the most populous communist nation, *Reuter reports from Peking.*

An official US announcement about Weinberger's four-day visit, his first major stop on a 17-day Asian and European tour, said he would discuss issues such as arms control, Kampuchea and Afghanistan with Chinese leaders.

In a relationship where every gesture is analysed for its impact on friends and potential foes, Sino-US defence co-operation presents a modest public face.

Both sides stress that their defence contacts, including limited sales of US military equipment and rumoured intelligence cooperation, are not aimed at forming an alliance against any third party – a clear reference to the Soviet Union.

Venezuela pays $750m under debt agreement

By Joseph Mann in Caracas

A $21bn Venezuelan debt restructuring agreement between Caracas and foreign banks went into effect over the weekend, Mr Manuel Azpurua said. This followed a final review of debt schedules between the Government and the banks. The Government will begin making a $750m payment of principal to the foreign banks spread over October, November and December.

In a second announcement over the weekend Mr Hector Hurtado, State Minister, said the Government would seek around $800m in new foreign loans to finance expansion plans for aluminium and steel industries.

The repayment of a large chunk of debt principle, an unusual feature in debt restructuring plans for developing countries, was part of the original agreement signed by Venezuela and representatives of some 450 foreign banks in February 1986.

It had been thought that the Government might have made this principal payment earlier this year when it was realised that Venezuela's oil export revenues would fall by around $5bn.

Among other things, the Government wants debt service payments extended beyond the 12 years stipulated in the original agreement, a postponement of principal payments for 1987 and 1988, as well as for part of 1989, and some type of linkage between Venezuela's petroleum revenues and its foreign debt payments.

Mr Hurtado, meanwhile, said that the state-owned steel maker, Sidor would ask for $200m in new credits while two government-controlled aluminium companies — Venalum and Alcasa — require $600m.

Venezuelan officials also said this weekend that the US Government's Eximbank had reopened credit lines to the public sector here, and that credit lines to private companies in Venezuela should be re-established "little by little."

The Government as yet has not revealed a formal plan to help Venezuelan private companies pay around $7bn in foreign debt, a problem which has made foreign bankers extremely anxious.

Kohl faces easy ride at conference

BY PETER BRUCE IN BONN

POLITICAL conventions without rows or splits or even resignations can be deadly affairs. West Germany's ruling Christian Democratic Union (CDU) will probably go one better at its last big party conference before next January's General Election, which opens today in Mainz, by having virtually no debate.

The official high point of the two-and-a-half-day gathering will be the presentation to more than 700 delegates of a "Manifesto for the Future," a document prepared by Mr Heiner Geissler, the CDU's General Secretary, which contains vague policy promises for the next 10 years on almost everything.

For the moment this does not matter. The convention is there for CDU leaders to make election speeches and for Chancellor Helmut Kohl, who is also the leader of the CDU, to parade triumphant before his party faithful before going out to lead them to almost certain victory in January.

Even at the last moment, the spirits have been good to Mr Kohl. President Reagan's talks with the Soviet leader in Iceland reward Bonn's unstinting support for Washington on almost all important East-West policy positions.

At home, with prices still falling, unemployment has been the only politically significant blot on his economic record since taking office almost four years ago. But on Friday the labour authorities announced one of the biggest monthly falls in unemployment for three years.

In Mainz, his old political stamping ground in the Rhineland Palatinate, Mr Kohl will most probably be seated under a banner bearing the party's election slogan, a thumbs up sign and the words "More of the Same, Germany."

That will leave it up to Mr Franz Josef Strauss, the cantankerous Bavarian Premier and leader of the CDU's coalition partner and Bavarian sister party, the CSU to brighten up the proceedings when he speaks tomorrow.

Because of Mr Strauss, the CDU will not be able to pass an election programme in Mainz. Normally the CDU and CSU do this together but Mr Strauss is threatening to have his own, mainly because he disagrees with West German foreign policy.

But not even the formidable Mr Strauss bothers Mr Kohl any more, despite his constant carping at Bonn. One popular cartoon here has Mr Strauss creeping up on Mr Geissler and Mr Kohl carrying a muscular-looking balloon bearing the threat "independent CSU election programme." Mr Geissler turns to *Mr Kohl and* whispers "lets make him happy, pretend we're frightened."

West warned against energy complacency

BY MAX WILKINSON, RESOURCES EDITOR, IN CANNES

THE WORLD will face serious energy shortages within the lifetime of the present generation of teenagers, predicts an authoritative report to the World Energy Conference which opened here yesterday.

The report, commissioned from Dr Jean-Romain Frisch, assistant to the general manager, Electricité de France, warns that the western nations must not be lulled into a false sense of security by the present glut of oil and the collapse of energy prices this year.

His study, based on the latest estimates of the world's coal, oil, gas and uranium reserves, predicts that serious stresses could be emerging in only 15 years' time, when the present oil reserves of the industrial world will be exhausted. The study is likely to be a focus for discussion among government officials and senior executives from the world's energy industries, assembled for the six-day conference.

The study gives considerable statistical backing to the claims made this summer by Mr Peter Walker, the UK's Energy Secretary, when he made an impassioned plea for the retention of a nuclear option.

Dr Frisch's analysis suggests that an energy crisis would be brought forward a few years if the industrial countries adopted a nuclear moratorium in response to public anxieties about safety.

However, Dr Frisch warns that nuclear energy can do comparatively little to satisfy the world's demands, so long as the nuclear contribution comes from uranium processed in conventional reactors.

The whole of the world's proved and likely uranium reserves used in today's reactors would contribute only 3.5 per cent to the world's total resources of non-renewable energy (mainly coal, oil and gas). Conventional nuclear energy would be equivalent to about two-thirds of the world's proven oil reserves.

However, if the uranium were used in a new generation of fast breeder reactors, Dr Frisch says its contribution to world energy needs would be increased 25-fold.

* *Future Stresses for Energy Resources (Energy Abundance: Myth or Reality?) by J-R Frisch, World Energy Conference Conservation Commission —English version published by Graham and Trotman, London.*

Solidarity warned over move to work openly

BY CHRISTOPHER BOBINSKI IN WARSAW

FORMER underground Solidarity leaders who last week set up the seven-man council to work openly for the legislation of their banned movement were warned at the weekend that their move was against the law.

The warnings came from local government officials and ran together with a major attack on the initiative by the recently amnestied activists from Mr Jerry Urban, the Polish Government spokesman.

In his statement, carried by all the papers at the weekend, Mr Urban hinted at the possibility or arrest, saying "that those who are aiming to set out on another round of anarchy in the country must realise and take into account that the law is not elastic."

But at the same time the authorities freed one of the country's few remaining political prisoners, Mr Wojciech Jankowski, who had not so far been covered by the latest amnesty. Mr Jankowski, who emerged from prison on Saturday afternoon, is a member of the small pacifist Peace and Freedom group.

Reuter writes from Moscow: The Soviet Communist Party daily Pravda denounced a newly created council of Solidarity independent trade union leades in Poland yesterday

Netherlands flood barrier system inaugurated

BY LAURA RAUN IN AMSTERDAM

THE NETHERLANDS' Oosterschelde storm-surge barrier was inaugurated amid a blaze of glory at the weekend as Queen Beatrix declared that "the delta works are complete."

The Oosterschelde barrier is the crowning jewel of the whole delta project, a permeable dam that will block the North Sea in times of threatening storms but allow the natural tide to flow at other times.

The delta works are a network of dams, barrages and locks that have been woven into the Rhine Delta over the past 30 years to avoid flood disasters such as the 1953 catastrophe.

Amid clear and mild weather on Saturday a dozen royal and presidential guests, including the Duke and Duchess of York, Mr Francois Mitterrand, President of France, plus 25,000 other guests jammed on an artificial island that anchors the barrier. The long-awaited inauguration was carried off with the same engineering precision that went into the Oosterschelde itself.

The royal-presidential entourage was ferried first by helicopter and then by bus to the isolated site without any delays.

Security arrangements were extremely tight, with President Mitterrand, ocasionally looking bored, flanked by a military attaché.

Uganda arrests government ministers

UGANDA has arrested two government ministers and a former vice-president on charges of attempting to cause instability in the country, an official statements said yesterday, Reuter reports.

The statement, read on Radio Uganda, said the Government had been watching the activities of Mr Andrew Kayiira, Energy Minister, Mr David Lwanga, Environmental Protection Minister, and Mr Paulo Muwanga, former Vice-President, as well as those of other individuals, and had amassed evidence that they were "contributing to activities calculated to cause insecurity."

Other prominant Ugandans arrested in the same operation were Mr Francis Bwengye, an executive committee member of Kayiira's Uganda Freedom Movement (UFM), and Mr Anthony Ssekweyama, editor of the conservative Democratic Party (DP) newspaper.

The UFM, DP and Lwanga's Federal Democratic Movement (Fedemo) are partners in the ruling coalition headed by President Yoweri Museveni's National Resistance Movement (NRM).

Falklands discussed

The thorny question of the Falkland Islands, claimed by both Britain and Argentina, will be raised when almost 1,000 parliamentarians from round the globe gather in the Argentine capital today to discuss armed conflict and colonialism, Reuter reports from Buenos Aires. The Falklands dispute has been included in a draft agenda for the 76th Inter-Parliamentary Union conference, according to Mr George Foulkes, a UK Labour MP.

US court convenes

The US Supreme Court convenes today, beginning a new era under President Reagan's controversial choice of Mr William Rehnquist as Chief Justice and deeply divided on capital punishment and other issues.

De Lorean for trial

Mr John De Lorean, acquitted two years ago in a sensational cocaine drugs case, goes on trial again today, in Detroit accused of defrauding investors in his bankrupt sports car firm of millions of dollars.

US dismisses fear on disabled Soviet submarine

BY STEWART FLEMING IN WASHINGTON AND PATRICK COCKBURN IN MOSCOW

MR GEORGE SHULTZ, the US Secretary of State, expressed confidence yesterday that the Soviet nuclear submarine disabled in the Atlantic was not contaminating either the atmosphere or the water and dismissed fears that any of its nuclear missiles could fire accidentally.

Mr Shultz said that naval intelligence flying over the submarine had found no air or water contamination. He disclosed that the submarine had apparently moved under its own power for about 20 minutes but then stopped suggesting that its crew is trying to get the submarine moving.

US officials have welcomed the Soviet decision quickly to inform both the US and the International Atomic Energy Agency (IAEA) about the incident. Mr Shultz said yesterday that President Reagan was informed of the mishap on Saturday morning by Moscow but that the accident occurred on Friday morning, adding that Washington knew very quickly of the event.

Asked why Moscow had informed Washington quite soon after the problem arose Mr Shultz said: "I think they got badly burned by Chernobyl."

The speed of the admission is in sharp contrast with the Kremlin's reaction to the Chernobyl disaster, about which no information was released for almost three days and only then after radioactive clouds had been detected over Scandinavia.

Moscow is also clearly anxious that nothing should derail the mini-summit meeting between Mr Gorbachev and President Reagan planned for October 11-12 in Reykjavik, Iceland.

Tass yesterday attacked Mr Caspar Weinberger, the US Defence Secretary, for exaggerating the Soviet threat in his speech in Alaska in order "to make the Soviet-US dialogue more difficult, if not frustrate it."

The fire on board the Soviet submarine is the first Soviet disaster involving nuclear power since Chernobyl, but the new policy of openness introduced by Mr Gorbachev has already lead to quicker disclosure of information.

Soviet dissident flies to US from Siberian exile

BY PATRICK COCKBURN IN MOSCOW

MR YURI ORLOV, the Soviet dissident, flew from Moscow to the US yesterday after his release from exile in Siberia as part of the US-Soviet agreement under which Mr Nicholas Daniloff and Mr Gennady Zakharov, both accused of espionage, have returned to their countries.

Mr Orlov, who has spent almost 10 years in prison or in exile, was founder chairman of an unofficial committee set up in 1976 to monitor the Soviet Union's compliance with the 1975 Helsinki agreement on human rights.

He was arrested in 1977 and sentenced to seven years in a labour camp and five years exile within the Soviet Union "for anti-Soviet agitation and propaganda." Mr Orlov, who is aged 62, was living up to his release last week in the village of Kobyai in east Siberia.

Mrs Irina Orlov, who accompanied her husband on the Aeroflot aircraft to New York, was clearly upset and confused at Moscow's Sheremetyevo airport yesterday. When asked how she felt about leaving the Soviet Union she said: "It's hard."

Trade minister retires

BY OUR MOSCOW CORRESPONDENT

MR IVAN ARKHIPOV, First Soviet Deputy Prime Minister with special responsibility for foreign trade and a specialist on relations with China, has retired for health reasons.

The retirement of Mr Arkhipov at the age of 79 marks a complete change over in the senior Soviet officials in charge of foreign trade over the past 18 months.

Mr Arkhipov has also played a central role in Soviet-Chinese relations ever since he coordinated Soviet economic aid to China from the Soviet embassy in Peking in the 1950s, before the split between the two main Communist powers.

Although considered hardline in his attitude towards China, Mr Arkhipov became the most senior Soviet official to visit Peking for 15 years in 1984 when he signed three economic agreements. He went again to China in March this year as Sino-Soviet relations improved.

His successor has not yet been announced.

OECD aims for division between aid and trade

By Christian Tyler, Trade Editor

THE rich nations are groping their way towards greater self-discipline in their use of aid budgets to grab scarce big-project business for their exporters in the developing world.

Government officials meet in Paris on Thursday in the hope of agreeing the terms of a limited truce in the expensive internecine warfare that has caused mutual recrimination among donor countries and an insatiable appetite for subsidies in even the most credit-worthy developing nations.

Negotiations under the aegis of the Organisation for Economic Co-operation and Development (OECD) this week are not expected to come to a final conclusion. Ministers will have to be briefed on any compromise that emerges, to sanction a deal possibly in December.

There are two, linked, proposals on the table for drawing a clearer line between aid and trade. The idea is at the same time to raise the cost of export loan subsidies and to spread the burden of that cost fairly among donor countries.

Present OECD rules require member countries using aid money to help their own exporters to provide at least a quarter of a project financing in the form of a grant. The US wants to raise that figure to a half, while the EEC has proposed pushing it up to 35 per cent over two years. Informally, at least, the US would accept a ratio of 40 per cent: but it is not clear whether EEC countries—notably France—would be prepared to meet that.

The second prong of the for... concerns the formula for calculating the grant element in a package. At present the OECD uses a notional interest rate (or discount factor) of 10 per cent. That gives an advantage to countries like Japan and West Germany with low interest rate currencies: it costs them less to provide the 25 per cent grant element. It means, on some calculations, that Japan can provide 35 per cent of aid at little cost to itself.

The proposal is that different discount rates should be applied to each country. Japan, not surprisingly, has objected and with a vigour that is untypical of its delegates to these OECD meetings.

However, the US and EEC have been putting pressure on the Japanese in recent bilateral sessions, and some officials believe they can be persuaded to accept the differential rate in return perhaps for some concession elsewhere in the package.

The argument that will be used against Japan this week is that it, least of all countries, needs to bolster its capital goods exports — to "buy" contracts abroad—by means of loans tied to the supply of Japanese equipment.

Nominally at least, much Japanese aid is "partially untied," meaning that it is available for the purchase not only of Japanese goods, but also of supplies from developing countries. In practice, some Western officials say, Japan is using the money to beat off all-comers in chosen areas of influence such as South-east Asia.

In return for accepting the new discount arrangement, the Japanese have suggested that all long-term export credits, not just those involving aid money, should be subject to differential rates.

The US House of Representatives has just voted for a $300m "war chest" of mixed credits to be used by the Export-Import Bank over the next two years, while the British Government has announced special soft loan facilities of £300m and £140m respectively for China and Indonesia.

Europe heads for trade clash with Japan

By Ian Rodger in Tokyo

JAPAN AND the European Community appear headed for a fresh trade clash—this time over wines and spirits and ski equipment.

Mr Jos Loeff, the European Commission's deputy director general for external relations, left Tokyo on Friday after a week of talks in which little progress was made on these issues.

During the week, he had indicated that the next meeting of the Council of Ministers later this month might take some punitive action against Japan.

At a meeting with Mr Loeff on Friday, the Ministry of International Trade and Industry (MITI) rejected a request to suspend the application of the SG-mark to skis, saying that it did not have the legal power.

On wine and spirits, the EC's main complaint, made in two earlier rounds of negotiations this year, is that the Japanese tax and duty system discriminates against imports. The latest Japanese response said the issue was under study by a tax reform commission.

EC officials said the attitude of the Council of Ministers to this delay could be affected by how the Japanese responded to other complaints.

David Housego on the largest development project in Paris since the war

Upmarket move for an historic city centre

PARIS, which is always fascinated by its own charms, is begining to rediscover one of its favourite haunts. Fifteen years after the fruit and vegetable market of Les Halles was pulled down amid controversy and recrimination, the new *quartier* of the *Forum des Halles* is nearing completion.

This month the final wing—over 60 fashion boutiques, gift and gadget shops—of the giant underground shopping complex was opened. Next year the last shrubs and turfs of grass will be planted in the gardens above, thus revealing views of the handsome gothic church of Saint Eustache and of the Bourse de Commerce rising up through the trees.

The redevelopment of Les Halles is the largest inner city development project Paris has undertaken since the war. It also marks a shift in the focus of the city towards the east—away from the flashy Champs Elysée and the sombre residential areas of the seventh arrondissement and back towards the popular roots of Paris in the Marais, the Bastile and the districts surrounding Less Halles, all of which are being renovated.

Two ideas lie behind the project. The first was to maintain the historic character of Les Halles, all of which are capital's major market places—which it has been since the twelfth century, attracting tanners, mercers, fishmongers, money changers and prostitutes.

This has been achieved by locating the shopping complex, the cinemas and restaurants largely underground. The originality of architecture of Mr Claude Vasconi and Mr Georges Pencreach was to bring light to the otherwise cavernous three tiers of streets and shops through a system of glassed arcades that tumble downwards like a waterfall.

Les Halles: a FFr 900m complex of open space in a city desperately short of parks and gardens

Espace Expansion, promoters of the shopping complex, now claim that the first part opened in 1979 does more business than any other complex in the world —with an average annual turnover of FFr 47,000 (£4,600) a square metre.

The other main idea was to provide an open space in the heart of a city that is desperately short of parks and gardens. The centre's landscape gardening includes sunken walks, children's playgrounds, banks of shrubs, flower beds and tree-lined alleys.

The sculptor Lallanne has created wooden trellises and arcades that recall the gothic arches of Saint Eustache.

For much of the past 15 years Les Halles has been a building site and an ugly hole in the ground. Now that it is almost finished, it achieves an architectural harmony that seems to reflect the best Gallic qualities of order and imagination. In practice, Mr Pencreac'h says that the history of the construction has been one of continual political pressure and jostling.

President Georges Pompidou —who had a taste for monumental architecture—wanted to build a giant international chamber of commerce on the site that would have obscured the view of Saint Eustache. President Valery Giscard d'Estaing, taking over as President in 1974, scrapped this idea in favour of transforming Les Halles into a garden.

Work stopped on the western part of the project for two years.

Mr Jacques Chirac, arriving as Mayor of Paris in 1977, pulled down a building designed by Boffil that was beginning ot rise on the north side.

In commercial terms the advantage of the Forum is that it is one of the natural meeting places of Paris. Five metro lines converge on the area and the RER express metro links nearby Chatelet by faster commuter train to the suburbs. On top of that the Beaubourg Centre commissioned by President Pompidou as a modernistic, avaint-garde arts centre has proved one of Paris' most successful museums. Some 20m people a year visit the Forum—equivalent to the combined total of visitors to Paris's five most popular tourist spots.

When the first part of the shopping complex opened in 1979 the aim had been to attract some of the smarter shops that line the Faubourg St Honoré. But the goal was rapidly abandoned in favour of drawing in stylish avant-garde boutiques which took their lead from the nearby Beauborg centre.

With over 300 shops and 23 cinema halls, the Forum, says Mr Michel Guidet, the President of Espace Expansion, is for a clientele that sees itself as avant-garde and "in search of a life-style."

The Forum has had problems with the drug trade and petty crime—but now seems to be keeping away the loafers, drug addicts, buskers and pavement artists who loiter around the Beaubourg.

Like all large shopping complexes in Paris, the Forum has also been badly hit by the recent wave of terrorism—with sales about a third down.

The complex has involved an investment of over FFr 900m since 1973, with the wing opened this month costing FFr 190m. The money has been put up by banks, property groups and insurance companies including Credit Lyonnais, the Banque Privée de Gestion Financiere and Union des Assurances de Paris.

Linked to the Forum are a series of entertainment, cultural and sports centres, including a swimming pool, gymnasium, an auditorium, a photographic centre and a discotheque. The final project to be opened will be a mock-up of the ocean bed dedicated to Mr Jacques Cousteau, the French underwater explorer.

OVERSEAS NEWS

Tony Walker reports from Cairo on the state of Egypt five years after the murder of President Sadat

Age of uncertainty on the banks of the Nile

"I HAVE killed Pharaoh," shouted Anwar Sadat's chief assassin as Egypt's late President slumped, riddled with bullets, from his chair at a military parade on October 6, 1981, exactly five years ago today.

The fifth anniversary of Mr Sadat's assassination coincides in Egypt with an almost desperate questioning among various powerful groups about where the country should be heading. There is much doubt and little conviction. This is an age of uncertainty on the banks of the Nile.

Five years after the death of the man who proclaimed himself a successor to Rameses II, Egypt's greatest Pharaonic ruler, the country appears adrift, caught between severe economic pressures and an absence of a political consensus about how to deal with them.

Manifest contradictions between political groupings of the left, which is in disarray, the religious right and the centrist ruling National Democratic Party, suggests there is little chance soon of a consensus emerging. Last week's opposition boycott of Upper House elections indicates disillusionment with fragile attempts at extending Egypt's democratic experiment.

The convulsive last months of Mr Sadat's life, when he jailed thousands of opponents as his decade-long rule reached its awful climax, are a blurred memory here. His achievements have been subjected to negative treatment by revisionist historians and political commentators.

The Sadat era looms in the minds of many influential Egyptians, except those who materially benefited, as a bad dream. Selective memory is applied to the gains: The winning back of the Suez Canal in the audacious 1973 crossing of the canal at Yom Kippur, the return of the oil wells and the Sinai itself.

Mr Sadat, if he is spoken of at all, is criticised for fracturing the Arab consensus, abrogating Egypt's leadership role in Arab forums, helping to create an avaricious merchant class who have bled the country dry and selling out to the Americans and the Israelis.

The problem with the debate about Mr Sadat and his legacy is that it has not produced a distinct alternative for Egypt. The country flounders, lacking direction.

Even Mr Sada's harshest critics conced that the late president had a vision. His successor, Mr Hosni Mubarak, is criticised for lack of vision and in a curious way for not assuming some of the dictatorial qualities regarded negatively in his predecessor.

Influential Egyptions have a peculiarly ambivalent attitude towards their President. He is liked, respected for his integrity, and admired for his healing role at the moment of crisis after Mr Sadat's murder. But many question his capacity to lift Egypt out of the mire into which it has fallen.

The foment of discussion about Egypt's future among businessmen, bankers, bureaucrats, academics, politicians and almost certainly the military elite, focuses on various possibilities.

Theory 1. Egypt will slide towards a Khomeini-style state with awesome consequences for the delicate balance between Christians and Moslems in the society. This view has little support except among more gloomy libertarian intellectuals and Leftists.

Anwar Sadat (right) pictured in 1978 speaking to his then Vice President, Hosni Mubarak

Theory 2. That a Zia ul-Haq-type figure will emerge from the military to make common cause with certain moderate Islamic elements at the head of a quasi-Islamic state. This prediction has some adherents in Marxist circles.

Theory 3. That Egypt's democratic experiment will prove succesful, that a solid national consensus will emerge to confront the country's problems and that President Mubarak is the right man to draw together disparate elements of Egyptian society for the task ahead. This has some support in liberal academic and journalistic circles.

Theory 4. That Egypt will muddle through as it has done for centuries, relying on good fortune and the good nature of its populace. This fuzzy theory is much loved by Western officials in their despatches home.

Theory 5. That Egypt has embarked on a long slide towards economic ruin under the weight of the population explosion and in the face of its lack of food security. This theory, regarded as too alarmist has some adherents among foreign observers.

The Mubarak administration is seen at present as maintaining an uneasy balance between three competing elements in the society: The religious trend, the leftists and what is described as the infitah class—those who profited from the introduction of Egypt's "open door" policy in 1974. The struggle to balance these competing powerful interests appears to have contributed to administrative inertia.

Egypt is at present manoeuvring towards an arrangement with the International Monetary Fund to help it overcome its crushing debt burden which had reached, by mid-1986, according to the latest IMF report, some $38.5bn, putting it in the same league of middle-to-large debtors as Venezuela and Indonesia.

In some Egyptian circles, including the Government, there appears an almost naive belief that an arrangement with the IMF under which it would provide about $1bn in balance of payments support will somehow neutralise the country's many problems.

At best an IMF package will give Egypt some breathing space and allow it to make an orderly arrangement with its creditors. According to the latest IMF report, Egypt is billions of dollars in arrears on its debt service payments to its creditors which include the US, France and Spain.

The debt problem is merely one of a number of critical challenges facing the Government. Lack of food security is such that it is a constant surprise that fundamental reforms of the agricultural commodity pricing structure are not undertaken.

The facts reflect badly on agricultural policy. In 1974, Egypt, which had been for centuries the granary of the Middle East, was still maintaining a net surplus of exports on its agricultural trade balance.

Less than a decade later, the country was importing more than 50 per cent of its food, including 75 per cent of its wheat requirements. Population increase is about 3 per cent and is accelerating. Increases in food production perhaps totals 2 per cent annually.

The recent Egypt-Israel summit, which yielded no discernible benefits for Cairo, was a perfect example of a country being forced by its impoverishment into a course for which it had little enthusiasm.

US pressure, sometimes crudely applied, brought together two leaders who had little to say to each other. Mr Mubarak was in no position to make any commitment on behalf of fellow Arabs and Mr Shimon Peres, the Israeli Prime Minister was heavily constrained by his coalition.

President Mubarak has been lecturing recent visitors on the achievements of his administration, notably in its attempt to reconstruct decaying cities. At the moment, it is likely that the Mubarak era will be best remembered for new roads, a new metro in Cairo, sewage projects and vastly improved communications.

But this new investment in infrastructure appears not yet to have touched the imagination of Egyptians trying daily to cope with rapidly rising prices and the prospect of further sharp increases in the cost of living. The Government's most critical test is yet to come. As a prominent figure on the Egyptian left said: "We can't go on like this for another five years." Or can they?

IMF ponders support for balance of payments

By Tony Walker in Cairo

THE International Monetary Fund's board of directors is expected this week to recommend that detailed discussions be undertaken on Egypt's application for balance of payments support.

The IMF board is today due to consider Egypt's case for assistance as part of its annual Article IV consultations with member countries.

Senior Egyptian officials, including Mr Ali Negm, Governor of the Central Bank and Mr Kamal Ganzouri, the Planning Minister, have gone to the US for these crucial discussions.

Egypt, which is heavily in arrears to most of its creditors, is seeking some $1bn (£693m) in balance of payments support.

The IMF is asking Egypt to adopt a number of substantial reforms in ergy pricing and in the management of its exchange rate.

The IMF wants Egypt to unify within one year its various rates of exchange, several of which bear little relation to the real value of the Egyptian pound. It is also asking Egypt to increase sharply energy prices which are well below world parity.

Egypt has proposed that it unify its tourist rate (E£1.35 to the US dollar) and open market rate (E£1.90 to the dollar) over 18 months. It is suggesting the abolition later of a third rate of E£0.70 to the dollar used to calculate the cost of strategic imports such as food.

The Government fears that if the low official rate of the Egyptian pound is eradicated too quickly the impact on the budget deficit would add substantially to inflationary pressures. A third leading requirement by the IMF is that Egypt liberalise interest rates.

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FINANCIAL TIMES
Published by The Financial Times (Europe) Ltd., Frankfurt Branch, represented by E. Hugo, Frankfurt/Main, and, as members of the Board of Directors, F. Barlow, R.A.F. McClean, G.T.S. Damer, M.C. Gorman, D.E.P. Palmer, London. Printer: Frankfurter-Societäts-Druckerei-GmbH, Frankfurt/Main. Responsible editor: C.E.P. Smith, Frankfurt/Main, Guiollettstrasse 54, 6000 Frankfurt am Main 1. © The Financial Times Ltd, 1986.
FINANCIAL TIMES, USPS No. 190640, published daily except Sundays and holidays. U.S. subscription rates $365.00 per annum. Second class postage paid at New York, N.Y. and at additional mailing offices. POSTMASTER: send address changes to FINANCIAL TIMES, 14 East 60th Street, New York, N.Y. 10022.

Oil price decline prompts Norway austerity budget

BY FAY GJESTER IN OSLO

AN austerity budget for 1987, reflecting the serious economic difficulties facing Norway after the oil price collapse, is being tabled today by the minority Labour Government.

Far tougher than the deficit budget presented last year by the previous Conservative-led coalition, it provides for a tiny surplus before loan transactions. Revenues are foreseen at NKr 247.81bn (£23.28bn) and expenditure at NKr 247.53bn.

The news that the budget is in surplus—first revealed by Prime Minister Mrs Gro Harlem Brundtland in a TV debate on Friday evening—may dampen the recent heavy speculation against the Norwegian krone.

With a steep rise expected in the country's payments deficit—to a possible NKr 43bn, from a forecast NKr 33bn this year and a surplus of NKr 25bn in 1985—the budget aims to hold down consumer spending and stimulates the growth of the onshore economy, thus reducing dependence on the oil sector.

GNP growth next year is foreseen at 2½ per cent, compared with a rise of 4½ per cent from 1985 to 1986. If oil and shipping are excluded, the figures are 1½ per cent and 3½ per cent respectively.

Tax changes are to help halt a prolonged consumer spending spree, largely financed by borrowing. Industry will be assisted by increases in allocations to research and development and export promotion.

Mr Gunnar Berge, Finance Minister, said benefits and burdens among social groups and between urban and rural districts would be more fairly distributed. The proposed "moderate" changes took account of the government's lack of a parliamentary majority.

"We have tried to avoid provoking the majority in the Storting (Parliament)," he told a news conference. "The economic situation calls for inter-party co-operation to solve our problems."

This co-operation could be forthcoming from the two junior partners in the previous coalition—the Centre (farmers) Party, and the Christian Democrat Party.

The dominant Conservative Party, on the other hand, heartily dislikes the proposed tax reform and would like to use it as a pretext for toppling Mrs Brundtland's government.

To offset the 57.6 per cent fall in oil and gas revenues—to NKr 15.28bn from NKr 36.06bn this year—direct taxes will rise by 26.2 per cent to NKr 15.9bn and social security contributions by 17.3 per cent to NKr 72.5bn.

Singapore in hot water over tropical fish

By Steven Butler in Singapore

Asia's latest trade tussle with Washington broke into the open last week after the US Fish and Wildlife Service said it would countenance no more of Singapore's fancy tail guppies, gouramis, or angel fish wiggling their tails past the noses of US Customs officials.

The ban on tropical acquarium fish imports from Singapore, where fish breeding is a S$45m (£14m) industry, stems from Singapore's Convention on International Trade in Endangered Species. Singapore government certification of the exported fish does not meet the requirements of the convention and that was not acceptable to the US Fish and Wildlife Service.

The US action, however, has piqued Singapore because on September 22 it had notified the convention secretariat in Switzerland of its decision to accede to the agreement later this year.

The surprise imposition of the ban also threatens to lead to the death of thousands of dollars of fish in transit.

Squabble over quotas certain at Opec talks

BY RICHARD JOHNS IN GENEVA

PROTRACTED AND bitter arguments over redistribution of production quotas is the only certain outcome of the Organisation of Petroleum Exporting Countries' ministerial conference starting here today.

Member states are divided and confused over whether to extend the agreement reached here early in August on limiting collective output of 12 of them to 14.8m barrels a day—Iraq having been exempted from the pact—or to negotiate a new sharing system.

They must also decide what increase in demand might allow a higher rate of overall production. Because of the surge in output in July and August as the "price war" against non-member producers reached its climax the scope for any increase is now very limited, delegates acknowledged yesterday.

Sheikh Ahmed Zaki Yamani, Saudi Minister of Oil, frankly admitted. the problem when he told reporters yesterday: "Everyone wants a higher quota."

It could take months rather than weeks to agree upon a formula given that all want a larger proportionate share.

Highlighting the problems facing Opec as it struggles to stabilise the market and reach the common objective of a price range of at least $17-$19 per barrel as soon as possible, is the demand of Kuwait for a bigger share of total demand whatever the system which may or may not be adopted for slicing up the cake.

Both Saudi Arabia and Kuwait have made it absolutely clear that they want a new agreement giving them a bigger share of the cake. Their claim will be hotly contested by poorer member states.

Iran, which was responsible for the compromise two months ago making possible an increase in oil prices, has been campaigning in favour of an extension of the present interim agreement valid for September and October.

Mr Gholamreza Agazadeh, the Islamic Republic's Minister of Oil, is believed to have argued in favour of such a solution to Opec's problems when he visited Saudi Arabia and Kuwait last week.

His talks, which included both heads of state, were a remarkable phenomenon because Saudi Arabia and Kuwait have financially sustained Iraq's war effort against Iran.

At the very least Mr Agazadeh's foray into territory depicted by the official media in Tehran as an enemy reflects Iran's desperate concern about stabilisation of the oil market following a successful Iraqi assault on its oil export facilities which has severely reduced its shipments.

Following his visit Mr Agazadeh described the prospects for an Opec agreement as "completely bright."

Sheikh Yamani and Sheikh Ali Khalifa al Sabah, his Kuwait counterpart, have remained grimly silent about the exchanges.

Kuwait has been insistent that it "will not tolerate any country exceeding its quota by even a single barrel." Never perhaps has the outcome of an Opec meeting been more unpredictable and its length subject to so much speculation.

SHIPPING REPORT

Hopes increase that tanker rates slide may be near end

BY TERRY DODSWORTH

HOPES THAT rates in the world tanker market were bottoming out began to strengthen in the shipping sector last week following a continued slide in tariffs in the wake of the recent Opec agreement on reduced crude oil production.

The depression in the oil trade was intensified by indications of reduced Iranian production since the Iraqi air attacks on Kharg Island last month. These are believed to have cut Iranian output from around 1m barrels of oil a day to 500,000 b/d.

According to Galbraith's, the UK shipbroking company, a new low in rates was struck during the week with a contract by a Japanese oil company for a 210,000-ton cargo from the Gulf at Worldscale 25. In the medium size range, Texaco fixed a 125,000-ton cargo to Delaware at Worldscale 35.

Elsewhere in the market, rates were also under pressure from an oversupply of vessels. In spite of an increased volume of new business from West Africa, for example, charterers were able to pick up contracts for 130,000 tons to the US at between Worldscale 32½ and Worldscale 35.

In the cross Mediterranean trade, rates in the week were fixed at around Worldscale 40 to 45, and at 37½ on the longer haul to North West Europe. For smaller 80,000 tonners, vessels went as low as Worldscale 55 for North West Europe and Worldscale 60 for cross Mediterranean.

North Sea business was similarly depressed, with only a minimum of enquiries and only a few deals. Trade in refined products was extremely thin last week, with only minimum loadings even for contracted liftings. The pressure on prices was increased in the refined sector because of the higher availability of product carriers.

At these price levels, however, there is increasing opposition to continued operations from owners, and hence a growing suggestion that rates will have to stabilise or perhaps even increase over the near term.

Swedish group wins US power plant order

BY KEVIN DONE IN STOCKHOLM

ASEA, the Swedish electrical engineering group, has made a breakthrough in the US power station market by winning its first order for a coal-fired power plant using its advanced pressurised fluidised bed combustion (PFBC) technology.

American Electric Power, the largest US producer of electricity from coal-fired plants, has ordered its first 75-Mw PFBC unit, to be built at its Tidd power station in Ohio.

It has investigated different coal combustion systems for several years and has co-operated with Asea in the development of the PFBC technology since 1976.

In addition Asea has won an order for a second PFBC plant from Spain's state-owned utility Endasa, to be built at its Escatron power station in the north-east of the country.

Together the two contracts are worth about SKr 700m (£70m).

In both the US and Spain Asea is co-operating with Babcock and Wilcox of the UK.

With PFBC technology coal is burned at lower temperature and under higher pressure than in traditional coal-fired power stations, giving 10 to 15 per cent lower fuel consumption and a lower level of sulphur and nitrogen oxide emissions.

Indian ministers on a management course

BY JOHN ELLIOTT IN NEW DELHI

MR RAJIV GANDHI, Indian Prime Minister, has sent four of his senior ministers on a management course with top civl servants last week in an attempt to try to improve the runing of his country's cumbersome government machine.

In the two years since he first boasted that his Government would "work faster," Mr Gandhi has been finding it increasingly difficult to have his ideas turned into practice and many of his programmes and plans have slipped behind schedule.

"The problem is that ministers are trying to accelerate growth and management efficiency, but are having to work with politics, administrative methods and an ethos that belong to a different area," says Dr Francis Menezes, director of the Tata Management Training Centre in Poona where this week's course has been taking place.

Mr Gandhi's administration has been criticised for appearing uncertain in its decision making. India Today, the country's main current affairs magazine, last week said that the government which was supposed to work faster was gaining a reputation for "acting first and thinking later." It has also been criticised for losing some of its early drive and direction.

The administration's basic operational inefficiency was graphically demonstrated last Thursday when a myriad of specialist and supposedly highly trained security agencies tripped over each other as they failed to protect Mr Ghandi from an attack by a lone assassin at a memorial ground in New Dehli. Mr Ghandi escaped because the gunman misfired.

In his early days Mr Gandhi stressed the need for advanced computer technology to transform the administration and economy. Two years later he has turned to the management centre run by Tata, the country's most respected and largest private sector industrial empire, for help in improving administrators. On Saturday, he visited the management centre to review progress on the six day course which he himself commissioned and indicated he intends to ask all his ministers to undergo such training.

Dr Menezes describes the course as a "workshop" and says that he knows of no other similar exercise in India or abroad where ministers and civil servants have sat down together to learn.

Two of the minster present exemplify the new and the old in India. One of them is Mr Jagdish Tytler, in his 40s a politician of Mr Gandhi's generation. He is the Minister of Civil Aviation who is trying to merge India's two national airlines and who last week revamped the airlines' boards with part-time directors, from the private sector, including Dr Menezes.

Mr Tytler reflects the impatience for change that characterises Mr Gandhi's approach, but his attempts at reform face problems with the civil service and airline bureaucies.

The older minister and a more seasoned politician from Mr Gandhi's Congress I Party is Mr Narayan Datt Tiwari, 61, Minister for Industries. He is more adept than most in Mr Gandhi's cabinet at balancing votes for reform with the practical politics of operating a country which resists any change that upsets established hierachies, centres of power and prestige, and opportunities for corruption.

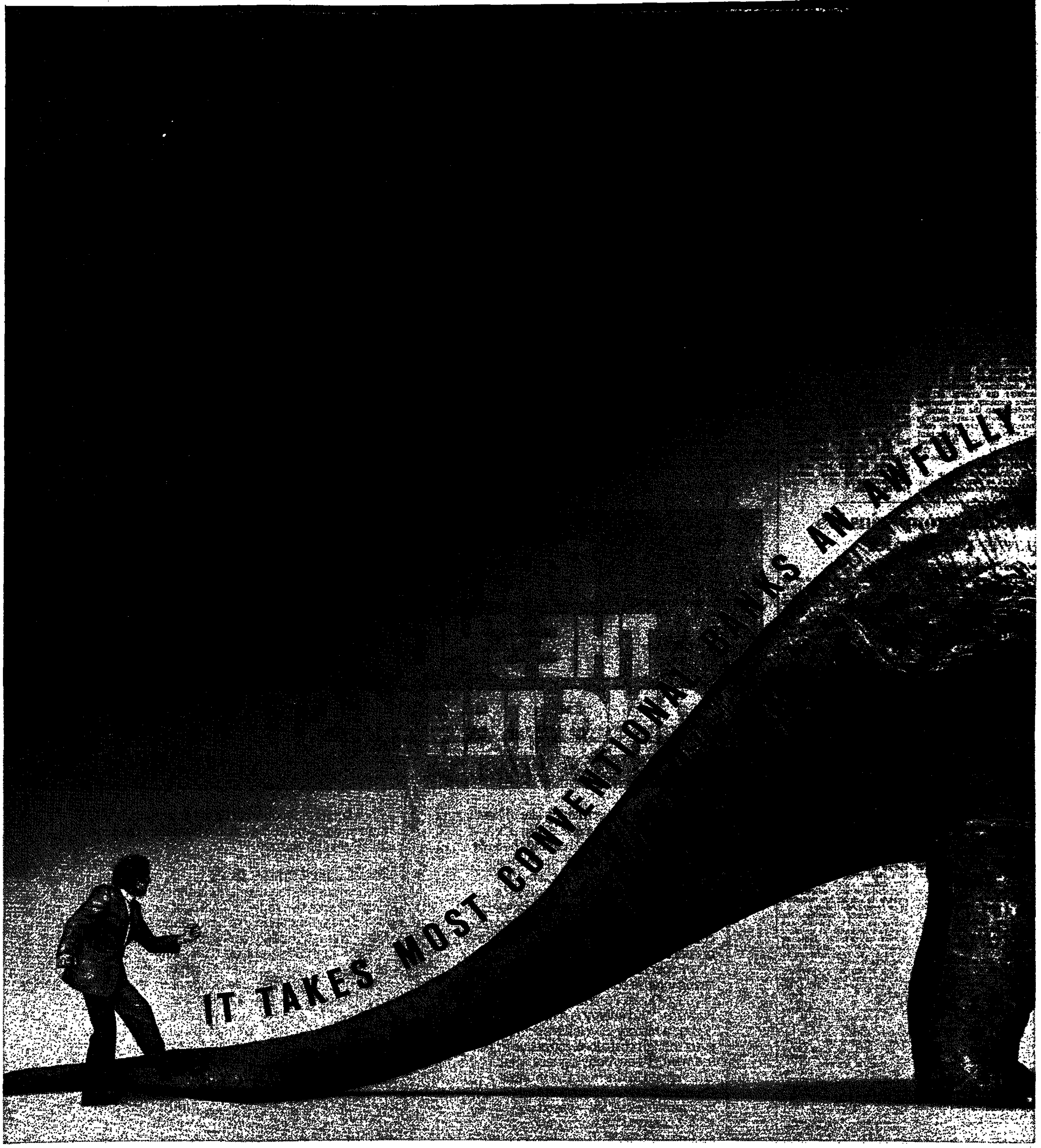
Mr Tiwari's ministry runs the industrial controls which support the status quo of the Indian economy. Mr Gandhi has been trying to push through reforms but civil servans in Mr Tiwari's ministry have a reputation for blocking many proposed changes.

World Economic Indicators

FOREIGN EXCHANGE RESERVES (US$m)

	July '86	June '86	May '86	July '85
US	16,147	15,229	14,320	7,958
Japan	33,778	29,450	28,197	23,787
W. Germany	39,734	38,955	37,732	35,937
UK	11,676	11,487	11,172	8,109
Italy	19,084	18,267	17,336	19,535
Belgium	4,657	4,836	5,222	4,051
Netherlands	10,238	9,333	9,156	8,050
	June '86	May '86	Apr. '86	June '85
France	32,084	29,510	29,391	21,685

Source: IMF



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Takeover Panel relaxes market-making rules

BY BARRY RILEY

THE TAKEOVER Panel is to create new categories of exempt market makers and portfolio managers in a move to adjust its code to reflect the new conditions which will apply to stock market trading in London after the "Big Bang" on October 27.

The new, broadly based multi-service financial organisations will, subject to certain conditions, be released from the "concert party" rules which would have otherwise applied to them when they acted as advisers to companies involved in takeover bids.

Exemption will be granted, however, only if the new groups can satisfy the panel that their market making and portfolio management businesses will be operated entirely separately from the corporate finance departments which advise companies.

The Panel, an independent body which devises and administers a voluntary code of behaviour by participants in takeover bids, has for many years laid down strict "concert party" rules. These provide that parties acting together must meet the conditions applying to single bidders, for instance that share purchases or sales must be disclosed, and that purchases at a higher price may trigger a mandatory higher offer to all shareholders.

Until now, merchant banks have not been allowed to buy and integrate Stock Exchange market-making activities, but from October 27 full integration will be possible. Under previous rules, these market makers would have been treated as acting in concert with their associated corporate finance arms, and their ability to make markets would have been restricted.

Already, fund management subsidiaries acting on a discretionary basis for clients such as pension funds are treated as concert parties, and are required to disclose any dealings during the course of a takeover bid in which their parent banks are involved. The panel has now accepted, however, that in certain circumstances this may be unfair to the investment clients.

Accordingly, both these areas of conflicting interests will be tackled in a consistent way by granting exempt status in suitable cases. In granting exemption, the panel will be guided by a number of general criteria for independence of operation listed by the Council for the Securities Industry (a body now superseded by the Securities and Investments Board) in a discussion paper called Conflicts of Interest which was published in January 1985. The panel emphasises that it will interpret these guidelines flexibly.

Mr John Walker-Haworth, director general of the Takeover Panel, said that only about 20 groups would be likely candidates for exempt status.

Even after the granting of exempt status, market makers and investment managers will still be subject to certain restrictions.

Offeror companies must not deal as a principal with a connected exempt market maker, and the latter must not assent securities to an offer before it becomes unconditional, or vote relevant securities in the context of an actual or possible takeover.

REPLACEMENT OF PAPER-BASED PROCEDURES A STEP CLOSER

Electronic trade language agreed

BY ALAN CANE

THE USE of electronic messages between computers to replace paper documentation in international trade became closer last week when trading powers, including the US, Europe and the USSR agreed a standard language for trade data interchange.

The agreement follows 10 months development work by a team of experts from Europe and North America under the sponsorship of the United Nations. It is seen as a breakthrough in attempts to simplify and lower the cost of international trade.

The UN estimates that paper-based trade prodcedures cost importers and exporters about 7 per cent of the value of the goods shipped. Electronic messages based on the new, standard international language will render many of these procedures obsolete.

The agreement, made last week in Geneva, involved representatives from Belgium, Canada, Federal Republic of Germany, France, The Netherlands, Poland, Sweden, the UK, and the US. Representatives from the Commission of the European Communities and the International Air Transport Association were also represented on the group. Japanese trade representatives have already invited group members to Japan to discuss the implications further.

Computer-based trading messaging (more commonly known as Electronic Data Interchange or EDI) is already used extensively in the US where it involves some 8,000 companies and the UK where 400 companies regularly send electronic messages in lieu of paper documentation.

Typical examples include orders and invoices sent between a retail stores chain and its suppliers or a motor manufacturer and its retailers. The extension of EDI to international trade has been delayed by a lack of common messaging standards which would enable a computer in one country to talk to a computer in another.

The banking world has already developed such a facility through the Swift financial messaging service. Last week's agreement in Geneva brings the promise that international EDI could be a reality within two years.

The UN group is now at work formalising the first of the standard message formats.

Big Bang 'bloodbath' fear for securities

BY NICK BUNKER

HARSH competition after this month's Big Bang stock market reforms may kill off some London securities businesses, according to one of the City's top economists.

Mr Christopher Johnson, Lloyds Bank's chief economic adviser, says it is now "almost taken for granted" that there will be a post-Big Bang "bloodbath" in the UK's securities industry, posing a challenge for supervisors.

"Some participants may retire hurt, or disappear, particularly if the Big Bang coincides with bear markets," he writes in this month's edition of the bank's economic bulletin.

His warning comes three weeks before the Stock Exchange is due to abolish fixed commissions and introduce dual capacity trading by member businesses, ending the long-standing separation between brokers and jobbers.

By admitting outside financial institutions to membership the Stock Exchange has given British banks a major new source of profits from securities trading, but there are "new risks attached."

"With traditional high margins being competed down, it is impossible to see how the UK financial market can provide a sufficient income to yield a profit to all the British and foreign competitors who are crowding into the City," Mr Johnson writes.

Fears over birth rate decline dismissed

By George Graham

FEARS THAT Britain faces a rapid decline in the size of its population have been dismissed by a leading population expert.

The number of births per year has fallen from 1m in the 1960s to only 630,000 in 1977, Professor William Brass, director of the centre for population studies at the London School of Hygiene, said last week, but there is little evidence that the UK faces a "flight from childbearing" which would lead to a significant fall in the size of the population and an imbalance in the age structure.

Prof Brass said that similar fears had been voiced in the 1930s when total fertility – the average number of children born per woman – had fallen to 1.7, the same level it has reached on the most recent data. The fears had then proved unfounded as births soared after 1945, he said.

Other fertility indicators have been less volatile than this measure of total fertility, he said.

UK NEWS

Inquiry reveals 6,200 TSB 'share offenders'

BY ALICE RAWSTHORN

TSB GROUP (the Trustee Savings Bank) has identified 6,200 suspected multiple applications for shares in its flotation. The cheques of the suspected multiples have been cashed and the accountants, Peat Marwick Mitchell, are deciding whether to refer the applicants for prosecution.

The suspected applications vary in value from £400 to £100,000. For the purposes of the detection exercise the TSB has defined a multiple applicant as any individual who submitted more than one application for shares without having a valid reason for doing so.

Applicants could also subscribe for shares on behalf of children under the age of 18, for example, and preferential applicants could also apply on a non-preferential basis.

Peat Marwick is now getting in touch with each of the suspected multiple applicants. If any of the suspects did have a bona fide reason for making more than one application their cheques will be returned together with any interest incurred. If however, Peat Marwick is satisfied that the suspects were multiple applications their papers will be passed to the Director of Public Prosecutions.

The TSB called in Peat Marwick to 'police' its flotation almost a year ago. Although other companies have called upon auditors to detect multiple applicants – Peat Marwick acted for British Telecom in its flotation, for example – this is the first time that an auditor has undertaken a deterrence exercise.

In order to deter multiple applicants from the flotation Peat Marwick installed video cameras in each of the receiving banks; seconded its staff to scrutinise applications as they came into the banks; and has briefed employees of the banks and brokers concerned

Lawyers to establish mutual self-insurance scheme

BY OUR FINANCIAL STAFF

SOLICITORS in England and Wales are to follow international trends by setting up a mutual self-insurance scheme next year in response to steeply rising premiums for professional indemnity cover.

News of the move leaked out this weekend as the Law Society began sending letters about the decision to the estimated 8,500 legal practices which it represents.

It comes less than a month after it emerged that seven of the world's leading accountancy firms have agreed to try to establish a similar mutual self-insurance scheme. Claims arising from professional negligence, especially in the US, have unnerved the insurance market, which has been wary of providing high levels of cover.

For the last 10 years the 46,000 English and Welsh solicitors have been covered against awards of damages for negligence by a Law Society block insurance policy. This was placed in the London market and is now underwritten 50 per cent by Guardian Royal Exchange (GRE), one of the UK's big five composite insurance companies.

The master policy was placed through several London brokers acting together, but led by Minet and C.T. Bowring.

In July this year the society's ruling council decided, however, to consider going for a mutual scheme after a 25 per cent increase in premiums when the policy was renewed in September 1985.

Mr Walter Merricks, secretary of the Society's professional and public relations committee, said professional indemnity cover was increasingly difficult to obtain. Premium rates rose again by 33 per cent to £52m at the 1986 renewal last month, he added.

The Law Society's decision also reflects concern among the professions at the UK Government's lack of sympathy with calls by accountants for a limit on professional liability claims.

Mr Merricks said that the new scheme, to start next autumn, would be funded on a "commercially viable basis," but premiums paid by its members would "more accurately reflect solicitors' claims experience."

Kleinwort expected to sell part of M&G Group stake

BY NICK BUNKER

M&G GROUP, one of the UK's biggest fund managers, believes its major shareholder, Kleinwort Benson Lonsdale, will probably soon sell part of its stake in the group in a move linked to the Big Bang changes in London's financial community.

Kleinwort, the banking and securities group, holds just under 42 per cent of M&G, whose next largest shareholders is the Esmee Fairbairn Charitable Trust, with 37 per cent.

Mr David Hopkinson, M&G's managing director, said that divestment had always been likely, under an arrangement agreed when Kleinwort raised its stake from 30 per cent in 1979.

More definite talks about divestment had now been under way however "for well over a year," Mr Hopkinson said. "We expect that they will dispose of part of their shareholding some time in the next six months."

Kleinwort declined to comment in detail last night about M&G's future. Lord Tenby, the group's spokesman, said: "Our line is that it is a situation constantly under review."

Mr Hopkinson said, however, that M&G felt that a sale of Kleinwort's stake was "a sensible thing to do." Talks had been "perfectly natural and friendly," but there was still room for discussion about the timing of divestment.

Part of the background to the talks lies in Kleinwort's role in the changes now under way in London's securities markets.

Through Grievson Grant, its stockbroker subsidiary, Kleinwort is poised to operate as a market maker in UK equities after the Big Bang reforms of the London market, on October 27.

Alliance receives 'low' exposure on television

BY PETER RIDDELL, POLITICAL EDITOR

THE LIBERAL and Social Democratic Party (SDP) receive substantially less television news coverage than the Conservatives or Labour, according to a research project commissioned by the Alliance leaders.

The findings are the most detailed so far produced and will be used by the Alliance to intensify its pressure on the broadcasting authorities to obtain increased representation on news and current affairs programmes.

The project was undertaken for the Alliance by a team at Oxford Polytechnic. It involved monitoring a total of 399 national news programmes and selected regional broadcasts between April 28 and Juner 22 this year. Findings show that the Alliance received only 1 per cent of the time compared to 18 per cent for Conservatives and 20 per cent Labour.

Dispute at Sealink leaves 14 ships idle

By Helen Hague, Labour Staff

TALKS BETWEEN Sealink UK management and the maritime unions are due to resume today against a backdrop of mounting industrial action.

The dispute began last week when the company announced that it was merging its Channel Islands services with the rival Channel Island Ferries company, with the loss of 492 ratings and officers' jobs.

The two main unions – the National Union of Seamen and the officers' union, Numast, are working together to hold a rolling programme of industrial action aimed at putting pressure on the company to reinstate their members.

Fourteen of the companies 20 ferries were at a standstill last night. The industrial action includes occupations by crews of four ferries which are assigned to the Channel Islands route. By last night, the only Sealink vessels not affected by the dispute were six which operate on the south coast of England on the Isle of Wight route. They are crewed by members of the National Union of Railwaymen, and today the union's executive is expected to call an industrial action ballot of its 2,000 members employed by the company.

Unions are pressing Sealink to improve severance terms to members they plan to make redundant and to give an assurance that terms and conditions of employment for those effected by the merger will be governed by existing onshore agreements.

Sealink indicated at talks over the weekend that it would not be in a position to respond to union claims on the Channel Island issue until today.

The weekend talks concerned the future job security of ratings and officers employed by the company

Urban renewal

WE REGRET that because of a printing error, part of a report on Page 2 of today's Survey on Urban Renewal (Section III) is missing. The passage says that the allocation of Derelict Land Grants for the Salford Quays project, providing a constant flow of funds, has saved Salford city council from having to bid for money year after year.

Lucas dispute threatens all Austin Rover output

BY ARTHUR SMITH, MIDLANDS CORRESPONDENT

AUSTIN ROVER is threatened with halting all car assembly later this week and laying off up to 20,000 workers unless there is a quick end to industrial action by employees at the troubled components supplier Lucas Electrical.

In a letter this weekend to the homes of 11,000 workers Lucas has given a warning that unless they call off their sanctions in pursuit of a pay claim the company will lose large amounts of work. "The results of this in job losses and factory closures are obvious," Lucas says.

Workers at many of the 10 Lucas factories in the Birmingham area have been imposing an overtime ban and work-to-rule which is now beginning to hit supplies of many electrical components, particularly headlamps and rear lights.

At Austin Rover's Longbridge plant at Birmingham, assembly of the Metro, Mini and Rover 200 models will be at a standstill today. Many of the 10,000 workers will be switched to stocktaking.

At the Cowley factory, Oxford, a fresh supply of parts means that the 10,000 workers will continue assembly today of the Maestro, Montego and Rover 800 models.

The company will be reviewing the position and possible lay-offs on a daily basis.

The disruption comes at a bad time for Austin Rover when it is seeking to rebuild public confidence after a disappointing sales performance and a trading loss of more than £60m in the first six months of this year.

An extra shift was introduced at Cowley only last week to increase production of the new Rover 800 in advance of the push into markets in Europe and the US.

Ford said last night it had alternative suppliers to Lucas and had not yet been affected by the dispute.

Lucas management has now taken a tough line in a pay row which has dragged on months after the review date of July 1.

BASE LENDING RATES

	%		%		%
ABN Bank	10	Citibank NA	10	● Morgan Grenfell	10
Adam & Company	10	Citybank Savings	¶10.95	Mount Credit Corp. Ltd.	10
Allied Arab Bk Ltd.	10	City Merchants Bank	10	Nat Bk. of Kuwait	10
Allied Dunbar & Co.	10	Clydesdale Bank	10	National Girobank	10
Allied Irish Bank	10	Comm. Bk. N. East	10	Nat Westminster	10
American Exp. Bk.	10	Consolidated Cred.	10	Northern Bank Ltd.	10
Amro Bank	10	Co-operative Bank	*10	Norwich Gen. Trust	10
Henry Ansbacher	10	Cyprus Popular Bk.	10	PK Finans. Intl (UK)	10½
ANZ Banking Group	10	Duncan Lawrie	10	Provincial Trust Ltd.	11
Associates Cap Corp.	10	E. T. Trust	11	R. Raphael & Sons	10
Banco de Bilbao	10	Equator'l Tst C'p plc	10	Roxburghe G'rantee	11
Bank Hapoalim	10	Exeter Trust Ltd.	10½	Royal Bk of Scotland	10
Bank Leumi (UK)	10	Financial & Gen. Sec.	10	Royal Tst Co Canada	10
Bank Credit & Comm.	10	First Nat. Fin. Corp.	11	Standard Chartered	10
Bank of Cyprus	10	First Nat. Sec. Ltd.	11	Trustee Savings Bnk	10
Bank of Ireland	10	● Robert Fleming & Co.	10	UDT Mortgage Exp.	¶10.9
Bank of India	10	Robert Fraser & Ptrs	11	United Bk of Kuwait	10
Bank of Scotland	10	Grindlays Bank	‡10	United Mizrahi Bank	10
Banque Belge Ltd.	10	● Guinness Mahon	10	Westpac B'nking Corp	10
Barclays Bank	10	HFC Trust & Savings	10	Whiteaway Laidlaw	10½
Benchmark Tst Ltd.	10	● Hambros Bank	10	Yorkshire Bank	10
Beneficial Trust Ltd.	11	Heritable & Gen. Tst.	10		
Berliner Bank AG	10	● Hill Samuel	§10		
Brit. Bk. of Mid. East	10	C. Hoare & Co.	10		
● Brown Shipley	10	Hongkong & Shangh'	10		
CL Bank Nederland	10	Knowsley & Co. Ltd	10½		
Canada Permanent	10	Lloyds Bank	10		
Cayzer Ltd	10	Mase Westpac Ltd.	10		
Cedar Holdings	11	Meghraj & Sons Ltd.	10		
● Charterhouse Bank	10	Midland Bank	10		

● Members of the Accepting Houses Committee. * 7-day deposits 5.69%. 1-month 6.03%. Top Tier—£2,500+ at 3 months' notice 9.72%. At call when £10,000+ remains deposited. ‡ Call deposits £1,000 and over 6¼% gross. ¶ Mortgage base rate. § Demand deposit 5.82%. Mortgage 11%.

UK NEWS

Ulster power industry cuts dependence on British Coal supplies

BY MAURICE SAMUELSON

BRITISH COAL, which used to supply 500,000 tonnes of fuel a year to power stations in Northern Ireland, has been frozen out of that market for the past six months and when it resumes regular supplies shortly they are likely to be at a far lower level.

The standstill in shipments from Britain to Northern Ireland is the latest evidence of how seriously British Coal has been hurt by the drop in the international oil price and by the availability of far cheaper coal in other parts of the world.

Earlier this year, the Scottish electricity industry, which also has a significant tranche of oil-fired and nuclear capacity, cut the volume of its orders from British Coal and, like the Central Electricity Generating Board in England and Wales, succeeded in forcing down British Coal's prices.

Under a new Ulster agreement, to be announced shortly, British Coal has not only cut its prices to the Northern Ireland Electricity Service (NIES) but may also have to reduce its shipments to about 300,000 tonnes. Ulsters coal will come via the port of Ayr from low-cost opencast pits in Scotland.

Since last April, (NIES) has been trying to demonstrate its independence of British Coal by maximising the use of its oil stations, which account for 90 per cent of its present capacity, and by buying its coal from other sources, including Colombia, the US and China.

The foreign coal is believed to have cost the NIES between £30 and £40 a tonne, up to 20 per cent cheaper than from British Coal. It was also reportedly offered coal from Chile at £24 a tonne, rivalling prices of cheap South African coal, which are further depressed because of political factors.

British Coal denies that it was forced to drop its prices by Ulster's freeze, and officiels say that the terms of the new agreement were available throughout the summer.

It also remains highly optimistic about future sales in Northern Ireland, both to the electricity industry and to the domestic heating market. Last year, it won a contract to supply Scottish coal to Kilroot power station, a large half-completed oil-fired plant, part of which is being converted to dual-firing.

Further conversion of Kilroot would give it an additional 450 MW of coal-fired capacity, which British Coal is keen to supply on long-term contracts from the Scottish coalfield.

Haslam wants one union for miners

BY CHARLES LEADBEATER

SIR ROBERT HASLAM, Chairman of British Coal, believes the prospects for the coal industry would improve considerably if there were a single union for production workers, or at least a forum where the National Union of Mineworkers and the breakaway Union of Democratic Mineworkers drew up joint claims.

He believes greater coordination between the unions will be out of the question under their current leaderships. Although British Coal is determined to treat the two even-handedly, Sir Robert admits the emergence of the UDM has created "an industrial relations minefield."

Sir Robert's remarks came in a wide-ranging interview on the industrial relations outlook in which he revealed he was in favour of overhauling the pay incentive scheme, long-term pay deals, and a more active approach to day-to-day management.

On the complications caused by dealing with two production unions, Sir Robert says: "Clearly, one would like to deal ideally with one union. We had one union, now we have two, that creates a complication, particularly because there is no way we will be able to negotiate with them together as long as personalities remain as they are."

He says British Coal is negotiating new procedures with the NUM and the UDM to ensure that in pits where either has a majority it will remain the recognised union for some time. Sir Robert says he hopes this will make collective bargaining more stable and end competition for members between the two unions.

British Coal will deal with the unions in parallel, and make them even-handed offers, says Sir Robert. "We have to be even handed in what we offer but the rate at which that is taken up is demonstrably dependent on the union concerned. The UDM is ready to embrace new ideas and concepts, it moves more quickly to support our objectives and as a result it appears more progressive."

He says the record productivity levels achieved in the last two weeks cast doubt on union claims of low morale and rising unrest among miners. Sir Robert is keen for open dialogue with the unions.

However, in a clear warning to Mr Arthur Scargill, the NUM's leader, he says: "As yet there is no one I have not been able to trade with. But you have to be sure at the end of the day that the people you are talking to have the success of the industry and the well-being of the people at heart. If they are motivated by entirely different things then there is no way you will be able to get this thing together."

Sir Robert praises the growth of direct communications by management with workers and the more assertive management style which emerged from the strike. "It is not macho management," he says. "But management has to make more decisions on their own rather than via negotiation. That is just ensuring British Coal is no different from any other organisation."

On the coming pay round, Sir Robert says he is in favour of the long-term pay deal proposed by the UDM. He says British Coal cannot afford an increase anywhere near the going rate without considerable improvement in productivity. British Coal intends to gradually give local bargaining and flexible incentive systems a much larger role in pay determination.

Property returns 'fail to match equity market'

BY PAUL CHEESERIGHT, PROPERTY CORRESPONDENT

INVESTMENT in commercial property has failed to produce the returns available from UK or foreign equities, according to the WM property performance measurement service.

In the last financial year, the average return on property in portfolios held by pension funds, insurance companies and investment trusts was 7 per cent, compared with 37.2 per cent from UK equities and 31.8 per cent from foreign equities.

WM, now an independent company but once the computer service of Wood Mackenzie, the stockbrokers, analysed 55 portfolios with assets of around £7bn.

Since the late 1970s, pension funds have nearly halved their property holdings. On WM comparisons, property between March 1979 and March 1986 was giving an average return per year of 11 per cent against 13 per cent for cash deposits.

Although, over that period, the FT-Actuaries property shares index rose from 344.07 to 742.55, actual return on investment was less than half that coming from UK equities.

The best returns have come from retail property

APPOINTMENTS

Promotion to parent board at Racal

Mr Philip Cressland has joined the board of RACAL ELECTRONICS. He also becomes chairman of Racal-Chubb and continues as managing director, a post he has held since the acquisition of Chubb and Son in October 1984.

★

Mr P. A. M. Curry has been appointed a non-executive director of GEORGE WIMPEY. He is chairman and joint chief executive of Unitech. Mr E. B. Ferris, an executive director of George Wimpey and president of George Wimpey Inc, has resigned to pursue other interests.

★

Mr John Craven, who has been a director of BOOTAL GROUP since 1982, has been appointed deputy chairman. Mr Craven has been a vice-chairman of S. G. Warburg & Co, chief executive of Credit Suisse First Boston Group and is currently chairman of Phoenix Securities.

★

Mr Winston Nicholls has joined WORMALD FIRE SYSTEMS as managing director, after 17 years with the company's Australian operations. Mr Peter Speer joins from Merryl with specific responsibility for Ansul Merchandising operations. Mr Peter Jones has been appointed general manager of Wormald operations division.

★

Mr Patrick Perry, formerly chief manager of BARCLAYS BANK in Singapore, has been appointed a deputy treasurer of the bank and returns to London.

★

PERRY GROUP has appointed Mr David Hendley as managing director of W. Harold Perry, group subsidiary responsible for Ford and GM dealerships.

★

Mr R. G. Davison has joined the board and becomes chairman of JOHN PARTRIDGE. Mr Davison's post will be a non-executive role concerned primarily with future expansion, developing strategies and corporate planning. He will retain his position as a director of various other companies including Neville Industrial Securities, a Midland-based merchant bank. He was chairman and managing director of Foster Brothers.

★

Mr Michael Barton, chief accountant and company secretary at A & U SECURITY ELECTRONICS has been appointed finance director. He remains company secretary.

★

Mr Malcolm Wilde, Mr Keith Millar and Mr Michael Kerr-Dineen have been appointed to the board of GUINNESS MAHON HOLDINGS. They are respectively head of banking in Guinness Mahon and Co, senior partner in Henderson Crosthwaite and executive vice-president of Guinness Mahon Capital Corporation in the US. Guinness Mahon Holdings is the holding company for Guinness Mahon and Co, merchant bankers, and all the securities dealing, asset management and investment subsidiaries of the Guinness Peat Group. Mr Robert Philipson Stow, a director of Henderson Crosthwaite rand of Guinness Mahon and Co, is to be compliance officer of the Guinness Mahon Holdings Group.

★

Mr Richard T. Devane has been named a vice-president of BAIN AND CO, a management consulting firm based in Boston, Mass. He is based in London.

★

Mr W. W. C. Syson, chief manager of the BANK OF SCOTLAND'S head office banking department has been accorded the status of assistant general manager while continuing a chief manager there.

★

INTERNATIONAL BUSINESS COMMUNICATIONS (HOLDINGS) has appointed Mr Peter Bixby as financial director. He was financial director of Stonehart Publications, a division of IBC. IBC has also appointed Mrs Inez Peach as company secretary.

★

Mr Paul Dawson has been appointed financial director of the ARGUS PRESS HOLDINGS. He was with IPC Magazines where he was financial director.

★

Mr David Richards has been reappointed for a further three year term as a deputy chairman of the MONOPOLIES AND MERGERS COMMISSION from October 1. Mr Neil Salmon has been reappointed for a further three year term as a part-time member. Mr Richards was a senior partner in Deloitte, Haskins and Sells, chartered accountants until 1984. Mr Salmon was managing director and then deputy chairman of J. Lyons and Co and a director of Allied-Lyons until his retirement in 1981; he is now a consultant to Lyons.

★

TCB, a wholly-owned subsidiary of First National Finance Corporation, has appointed Mr Alan Burgess as managing director and Mr Michael Carrick as a director. Mr Peter Garden, managing director of TSB, becomes a director of SVENSKA HANDELSBANKEN from November 1.

★

Mr John R. Roberts, chief executive of the Hunting Aerospace Group has been appointed to the board of BTR INDUSTRIES.

★

TURNER & NEWALL has appointed Mr Colin Beck managing director of its subsidiary Coopers A.P. Filters. Mr Tony Moore has been appointed managing director of TAC Engineering Materials, another T & N subsidiary, in succession to Mr Beck.

★

HACKER YOUNG has appointed Mr Frank [illegible] as senior partner and Mr Edward Greenbury as managing partner. These appointments follow the recent death of Mr Stuart Young, the former senior partner who was the chairman of the British Broadcasting Corporation. [illegible] responsible for the development of the firm's corporate finance advisory services.

★

BOYDS McCANN has appointed Mr David Lyle to be managing director of its Belfast agency, BPA McCann. He was creative director of Armstrong Long.

★

Mr Richard Wilson has been appointed a director of ALEXANDERS LAING & CRUICKSHANK INSTITUTIONAL EQUITIES, responsible for further developing European coverage.

THIS NOTICE DOES NOT CONSTITUTE AN OFFER FOR SALE AND THE STOCKS LISTED BELOW ARE NOT AVAILABLE FOR PURCHASE DIRECT FROM THE BANK OF ENGLAND.

ISSUES OF GOVERNMENT STOCK

The Bank of England announces that Her Majesty's Treasury has created on 3rd October 1986, and has issued to the Bank, additional amounts as indicated of each of the Stocks listed below:

£200 million 10 per cent TREASURY CONVERTIBLE STOCK, 1990
£200 million 9 per cent CONVERSION STOCK, 2000
£200 million 8 per cent TREASURY STOCK, 2009

The price paid by the Bank on issue was in each case the middle market closing price of the relevant Stock on 3rd October 1986 as certified by the Government Broker.

In addition, Her Majesty's Treasury has created on 3rd October 1986, and has issued to the National Debt Commissioners for public funds under their management, an additional amount of £100 million of 10 per cent Treasury Convertible Stock, 1990.

In each case, the amount issued on 3rd October 1986 represents a further tranche of the relevant Stock, ranking in all respects *pari passu* with that Stock and subject to the terms and conditions applicable to that Stock, and subject also to the provision contained in the final paragraph of this notice; the current provisions for Capital Gains Tax are described below.

Application has been made to the Council of The Stock Exchange for each further tranche of Stock to be admitted to the Official List.

Copies of the prospectuses for 10 per cent Treasury Convertible Stock, 1990 dated 13th January 1984, 9 per cent Treasury Convertible Stock, 1980 dated 8th March 1973 (which contained the terms of issue of 9 per cent Conversion Stock, 2000) and 8 per cent Treasury Stock, 2009 dated 18th April 1986 may be obtained at the Bank of England, New Issues, Watling Street, London, EC4M 9AA. The Stocks are repayable at par, and interest is payable half-yearly, on the dates shown below:

Stock	*Redemption date*	*Interest payment dates*
10 per cent Treasury Convertible Stock, 1990	25th October 1990	25th April 25th October
9 per cent Conversion Stock, 2000	3rd March 2000	3rd March 3rd September
8 per cent Treasury Stock, 2009	25th September 2009	25th March 25th September

The further tranche of 10 per cent Treasury Convertible Stock, 1990 has been issued on an ex-dividend basis and will not rank for the interest payment due on 25th October 1986 on the existing Stock. The further tranches of 9 per cent Conversion Stock, 2000 and 8 per cent Treasury Stock, 2009 will rank for a full six months' interest on the next interest payment date applicable to the relevant Stock. Official dealings in the Stocks on The Stock Exchange are expected to commence on Monday, 6th October 1986.

10 per cent Treasury Convertible Stock, 1990 and 9 per cent Conversion Stock, 2000 are, and 8 per cent Treasury Stock, 2009 will be, specified under paragraph 1 of Schedule 2 to the Capital Gains Tax Act 1979 as gilt-edged securities (under current legislation exempt from tax on capital gains, irrespective of the period for which the Stock is held).

Government statement

Attention is drawn to the statement issued by Her Majesty's Treasury on 29th May 1985 which explained that, in the interest of the orderly conduct of fiscal policy, neither Her Majesty's Government nor the Bank of England or their respective servants or agents undertake to disclose tax changes decided on but not yet announced, even where they may specifically affect the terms on which, or the conditions under which, these further tranches of stock are issued or sold by or on behalf of the Government or the Bank; that no responsibility can therefore be accepted for any omission to make such disclosure; and that such omission shall neither render any transaction liable to be set aside nor give rise to any claim for compensation.

BANK OF ENGLAND
LONDON
3rd October 1986

THE WEEK IN THE COURTS

Government acts to pursue the profits of crime

The profits made by drug traffickers have prompted the Government into devising a system of confiscating the proceeds of crime. Whether the response is appropriate is the subject of acute debate.

A COMMON complaint about the English penal system is that it overly concerns itself with the punishment and treatment of offenders while shamefully neglecting the needs of the victims of crime. Restitution and compensation by the offenders have, it is true, figured in the law's armoury of penalties but they have been unsystematic and unnecessarily restrictive. Reparation to the victim does not appear as a distinctive feature of the penal code.

In recent years, there has been a perceptible mood of change. The legislature has tightened the rules relating to restitution and compensation, and has encouraged the courts to make wider use of their powers. Victim-support schemes of practical help have been spawned under the aegis of voluntary bodies, financially supported out of public funds.

Their development, however, has mostly been directed towards assisting victims of crimes of violence, making them more aware of their ability to claim compensation from the Criminal Injuries Compensation Board.

Victims of large-scale fraud have been left very much to their own devices. Whether the victim was a private individual, a corporate body or a department of state, such as the Inland Revenue, the law provided little direct assistance in the recovery of the profits of crime.

Now that the Government is displaying keenness in dealing with the huge frauds that have been troubling the City in recent years, and is even keener to be seen to be doing something positive to re-establish the erstwhile confidence in City institutions, positive change is on the way. The Home Secretary's call to combat crime and safeguard the probity of financial institutions will be reflected in a Criminal Justice Bill in the new session of parliament.

A modest step towards confiscating criminals' profits came in the 1970s. The Law Society had come up with the novel idea that certain offences occasioning loss of property that was not the subject of restitution should constitute an act of bankruptcy.

It was thought there were substantial advantages in basing the proposal on the existing bankruptcy system rather than devising a separate system. Using the established bankruptcy machinery was thought to be more appropriate than giving the task to the police or some other enforcement agency, conferring on them extended powers to search and question the criminal "debtor."

Criminal bankruptcy, introduced in the 1972 Criminal Justice Act, was thus conceived as a simple engrafting of the civil system onto the criminal process. It was never contemplated at that time that an entirely novel and separate system of confiscation should be established.

The Cork Committee on Insolvency Law and Practice pointed out, however, that the Law Society's proposal and the ensuing legislation were conceptually unsound. Civil bankruptcy, which is entirely dependent on proof of insolvency, was being used to gather assets of offenders, rich or poor, solvent or insolvent, to further objectives unconnected with the distribution of those assets among the offenders' creditors.

The 1985 Insolvency Act, which combined the two branches of insolvency law—individual bankruptcy and company winding-up—made even less jurisprudential sense. But the proponents of criminal bankruptcy nevertheless proclaimed that it at least possessed the virtue of working in practice.

Six years after its introduction, criminal bankruptcy had already become a non-event. In its report in 1978, the Advisory Council on the Penal System said that "criminal bankruptcy in its short experimental phase has not worked well."

The key to the successful operation of criminal bankruptcy is the co-operation of the offender. Where the offender is imprisoned for a long time, co-operation was found to be almost totally lacking. The Insolvency Service achieved few returns for victims, while being lumbered with an additional workload that was justifiable only if the returns were impressive, and they were not. The long-term prospect of criminal bankruptcy, however, kept the system alive.

A criminal bankruptcy order acts as a kind of "permanent flypaper." It continues to apply after the offender has served his prison sentence, irrespective of his non-co-operation during incarceration. Anything the discharged prisoner acquired belongs to his trustee in bankruptcy. And, unlike civil bankruptcy, any gift or under-valued sale made on, or after, the earliest date on which the criminal offence has been committed can, on application to the court, be ordered to be transferred by any person acquiring the whole or part of the property given or sold at an undervalue.

The Advisory Council's plea to the Government to review and refine the system of criminal bankruptcy fell on deaf ears. Indeed, this inexpensive quango was axed by the Thatcher administration soon after it came to power, and the Advisory Council's report has not even been debated in parliament, let alone received any approbation from Home Office ministers.

It was only the revelation of huge profits being made by drug traffickers that prompted the Government into devising a system for confiscating the profits of crime. The 1986 Drug Trafficking Offences Act is the product. Its provisions will be brought into force only as and when the elaborate rules of procedure have been drafted.

The main thrust of the act is to introduce a mandatory procedure whereby a person convicted of one or more drug trafficking offences may be subjected to a confiscation order at the instance of the trial court.

The act is a potent response to an activity which is seen as a grave social evil. Whether that response is appropriate or even wise is the subject of acute debate throughout the democratic world.

The act has a variety of provisions that are startling and even draconian. There is a new criminal offence of "laundering" illegal monies. Any person who facilitates another person's retention, control or investment of the proceeds of drug trafficking commits an offence. The maximum penalty is 14 years' imprisonment.

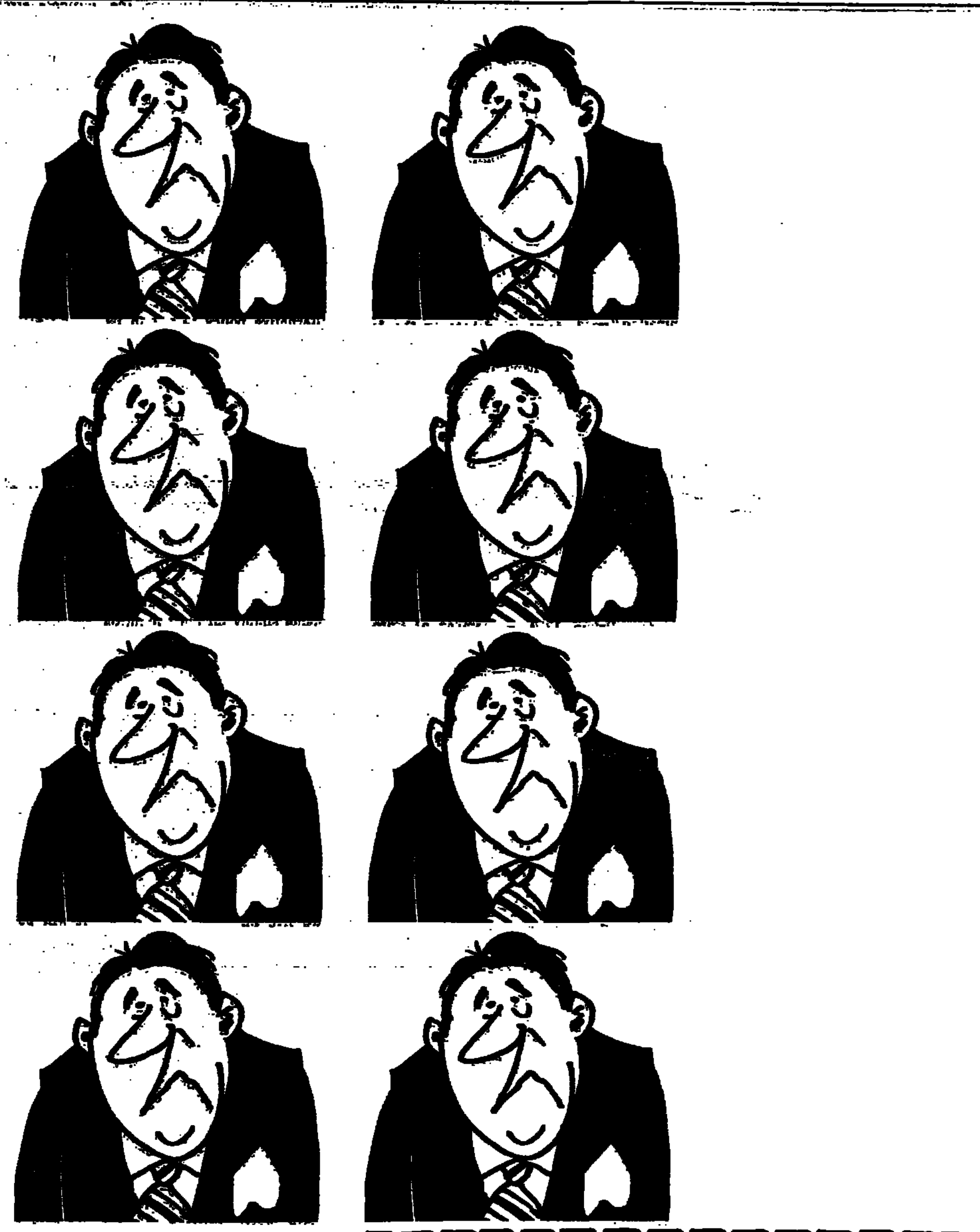
Another offence is committed by a person who knowingly or suspecting or having reasonable grounds to suspect an investigation into drug trafficking is taking place, makes any disclosure which is likely to prejudice investigation. As with "laundering," the special defences open to an accused places the burden of proof on the defendant.

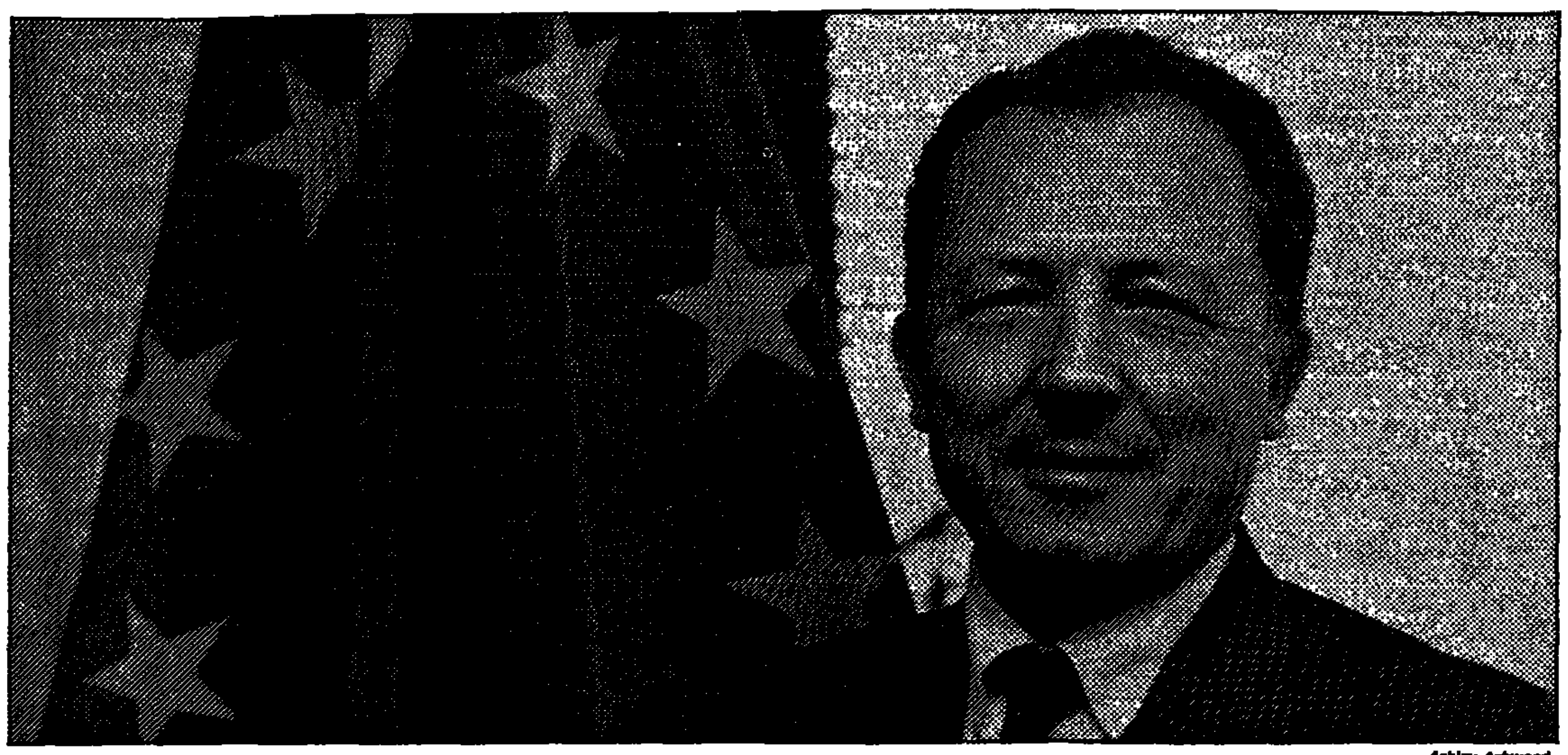
Some cherished principles of English criminal justice have gone by the board in this swift enactment to combat drug trafficking. The presumption of innocence, the principle of a criminal intent for serious offences, and the principle that offenders should be dealt with only for the offence(s) before the court are all casualties under the act in its fierce attempt to recoup the vast sums made out of drug trafficking.

There are signs that these same provisions will appear in the general legislation on fraud that is to supersede criminal bankruptcy by a system of confiscation.

Drug trafficking constitutes such a menace to society that few tears will be shed for the traffickers that are caught by the new laws. But is such an approach appropriate to all the perpetrators of large scale frauds? The pursuit of the profits of crime by freezing assets and seizing profits on conviction is one thing. The method by which those commendable aims are achieved, plus other powers in law enforcement, may be altogether another question. Swingeing powers are sometimes counter-productive.

Justinian





Ashley Ashwood

INTERVIEW

Politics sans frontières

Quentin Peel meets Jacques Delors, French Socialist and now a vigorous president of the European Commission

MR JACQUES DELORS, the president of the European Commission, makes no secret of the fact that he is frequently a frustrated man.

"Not discouraged," he insists, "for it takes a great deal to make me feel discouraged, but certainly frustrated."

The European Community, whose bureaucracy he heads from the 13th floor of the Berlaymont building in Brussels, is facing critical challenges in the near future, he believes. But the continual search for compromise solutions during the 12 member states is in danger of blunting any clear response.

Mr Delors arrived in Brussels *20 months ago with the* remarkable reputation of having been a popular Finance Minister in France—almost a contradiction in terms. He was a social democrat at the head of a largely-conservative Commission, a one-time central banker with strong trade union links.

"I believe I have always been someone who put new ideas on the table," he says. "That is how I am known in France. What is striking here is that, when one gives a push with a new idea which is recognised as being valid, the obstacles to carrying it out are much greater than in national politics.

"You get a new idea, usually endorsed by the heads of government at the European Council, which falls back very quickly into the cemetary of abandoned summit resolutions—doubtless the greatest legislative cemetary in the world. When you get to putting the idea into effect, it has already been condemned to death."

What worries Jacques Delors—what he says is "perhaps my greatest preoccupation"—is what he describes as the lack of "élan," of real momentum, in the Community.

"If I was 20 years old, I would have more hope. But now, the thought that I might die one day without seeing some momentum in Europe, that would give me great pain. I came here to try and prevent that."

To some extent, however, he believes the sluggishness, the lack of decision-taking and national bickering, is simply what is happening front-stage. Behind the curtain something is really stirring. "The great market is being brought about, little by little."

Mr Delors can on occasion wax embarrassingly emotional, and in the next breath prove coolly analytical about the economic underpinning and prospects for European industry. It is a mixture which somehow flows easily in his native French, but translates with difficulty into English.

He is approaching the halfway stage in his term of office—his appointment for the next two years must be endorsed at the London summit in December—and believes that a formidable array of challenges has to be faced by the 12 member states in that period.

The perennial budget crises of the EEC will come to a head next year, when a decision must be taken on long-term financing—the opportunity for a fundamental debate on the future shape and direction of the Community, Mr Delors says. It must go hand in hand with reform of the Common Agricultural Policy, and a big effort to speed up the scrapping of internal trade barriers to a genuine Common Market.

Two years ago, before he arrived in Brussels, he spelt out his concern at the danger of a North-South divide, and of its role as paymaster-general, as two crucial challenges for his Presidency. Are they not even more acute today?

"Yes, those risks are all the greater as we advance, as we go forward. If the Community were not making progress, the tension would seem less.

"That is why next year we will not be able to avoid a long and very necessary debate. The lack of own resources (EEC budget finance) is only the symptom, not the real cause of the problem. The root of the problem is to decide just where we want to go as a Community of 12.

"The duty of the Commission is to prepare for this confrontation, so that it does not turn into a crisis."

West Germany's apparent loss of commitment is also a real concern: "It is true that the Germans give the impression of being less interested, less concerned in building Europe, but they do not appear to have any alternative policy to put in its place. How should we react, seeing that Chancellor Kohl does everything he can to press the European case in Germany?

"I think we must take into account the new Germany. We cannot make Germany move simply from a sense of guilt which is 40 years old. It is a great people. It is the most prosperous economy in Europe.

"What I am trying to do is convince them that Europe is their project."

West Germany and the UK *are the two member states most* determined to keep a strict lid on Community spending, for which the finance is certain to run out again next year.

Mr Delors refuses to pin the blame simply on the two-thirds of the budget devoted to the Common Agricultural Policy, leaving precious little room for new policies in fields like new technology or job creation schemes financed by the social and regional funds.

"That is a very English view," he insists. "It is a caricature we must get rid of."

The Community must, he agrees, give real evidence to the contrary. "In the first place, that the money given to the Community is properly spent.

"Secondly, the agricultural policy must be reformed, not just because it represents two-thirds of the Community budget, but above all because *it is not adapted to the world* we live in.

"Thirdly, we must show that it is possible in the Community to contribute in a realistic manner to the prosperity of all member states."

As far as the North-South divide is concerned, Mr Delors is convinced that it will be impossible to complete the common market—the "great market without frontiers" he always calls it—by the 1992 deadline without ensuring greater "cohesion." That means major regional spending programmes to help the outlying areas like Greece, Portugal, southern Italy and Spain to catch up.

That concept of *Europe sans frontières* seems, however, to have been battered by the latest upsurge in terrorism in France, with the reintroduction of visas for non-EEC citizens at French borders. Mr Delors feels international police co-operation is a better weapon against terrorists.

"What is our main objective?" he asks, the answer: "To create an irreversible movement towards a great market without frontiers, and to reinforce the credibility of this central aim of the relaunch of Europe so that investors and businessmen assume it in their business strategy.

"From that point of view, I am in favour of a selective approach. Before the end of 1987, the Community must have decided on a system of common standards, particularly for new products and services, the opening up of public purchasing and the first step in the real liberalisation of capital movements."

What if the Community is simply opening up its internal market to benefit the foreign supplier — be he American or Japanese — who is likely to be much quicker to take advantage of it than a nationally-blinkered European? Isn't a degree of external protectionism going to be necessary too?

"Forgive me, but life is an adventure," he says. "If we are going to be so scared about the Japanese challenge, do we simply huddle in a corner, shut the door, put on the central heating and hope to survive?

"Only if the Japanese do not offer reciprocity in their own market should we introduce protectionist measures. If I had my way we would already have done so. But only to respond.

"Let me ask a question: do you think the best way to prepare for the Olympic Games is to do body-building exercises at home, behind closed doors? No. One goes out and competes against other athletes at a very high standard."

It is almost a relief to hear *Mr Delors use a sports metaphor*, for he is a passionate sports fan, reading *L'Equipe*, the French sports paper, first thing in the morning at his desk. He once played *scrum-half* in his lycée rugby team (somehow the natural position) and for many years played basketball—but his favourites now are cycling and football.

He thought he was going to find Brussels a rest after seven-days-a-week working at the French finance ministry in the Rue de Rivoli. But he finds himself working just as hard. The only difference is that the stress is less—the pressure of domestic politics has been lifted.

Is that part of his reason for frustration—that he is out of *the swim of French politics, and* it will be hard to get back in again?

"No, because from one point of view I do not allow myself to interfere in the domestic policies of France. I made a choice, and I don't regret it. But I think that today the most important thing is the debate of ideas. In that I am participating actively.

"I believe we are threatened by an ultra-liberal fashion whose limitations we will quickly see, if it is taken to excess—and on the other side by opportunism. I find even the parties of the Left are trying to find themselves a new 'look'—not a policy. So I want to participate in the debate of ideas."

And what about his own ambitions after Brussels. Can he deny he still has ambitions to sit in either the Matignon or even the Elysée in Paris?

"No, because the law in this zoo of politicians is that nobody is ever completely retired. They are never really outside. But my attitude is different to the others because I am not obsessed by all that. I am not intoxicated. "I do not get up every morning and say, what on earth am I doing in Brussels? I come to the office, content, and say what have I got to do today?"

1925—Born, Paris.
1945-62—Banque de France, executive officer—securities department.
1959-62—Economic adviser to Christian Trade Union Confederation.
1962-69—Head of social affairs, National Planning Commission.
1971-72—Adviser to Prime Minister Jacques Chaban-Delmas on economics, finance and social affairs.
1973—Associate professor of business management, University of Paris-Dauphine.
1974—Joined Socialist Party.
1979—Member of Socialist Party central committee.
1979 — Member of European Parliament, chairman economic committee.
1983-84—Mayor of Clichy.
1981-84—Economics, Finance and Budget Minister of France.
1985—President, Commission of the European Communities.

Our freedom left and right

JOHN LLOYD

FREEDOM is the sub theme of Britian's conference season memoirs by Sir Ian MacGregor, Mr James Prior and *Mr Robert Kilroy Silk*: their revelatory qualities, which is what the posh papers which have serialised them have mined them for, are thin seams *for the most part*, and in many cases self serving. Freedom, and the individual's place in society and the group which he makes his part of society, is the matter which holds them together.

The same theme percolated below the surface of Neil Kinnock's speech to his conference *in* Blackpool last week, and *you* can bet it will not be absent from the rhetoric at the Conservative Conference in Bournemouth this week. It has been curling round the Daniloff affair and it is all mixed up in the US *administration's* war on drugs. It will feature, maybe even explicitly, in Britain's general election campaign to come. What are we to make of it? How will it play in Richmond, Stoke and East Fife?

It has been the ideological rock of our Government since 1979, powerfully bolstered by the Reagan Administration since 1980. The crux of its definition is *freedom from restraint by the state*. By extension, it has been used as a critique of the domination of the individual *by* the collective, particularly trade unions. It has had a good run these seven years, because it has been marketed effectively and because it has had some things of interest to say.

Sir Ian took up the theme and ran with it strongly. His book picks out the lonely and fraught figure of the working miner, battling his way to work through showers of abuse and spittle, expressing in doing so not economic need but the very spirit of freedom. The former Coal Board chairman sees himself somewhat in the same light, battling his way to ultimate victory against the silkier cords of officialdom, political calculation and high-level funk. The battle must always be fought and re-fought: tyranny flourishes when good men do nothing. Mr Kilroy Silk is in similar vein: for miner read Militant, for bureaucrats read faint-hearted Labour colleagues.

Mr Prior, the politician, is not the ideologue Sir Ian, the industrialist, became. He is a self-confessed paternalist. He likes, or at least dined with, trade union leaders and sees them not as real or putative tyrants but as representatives. In a curious phrase at the end of his book, he speaks of his ideal as being a "fair and *involved* society" (my italics): the Prime Minister, who once *told him* that *standing in his* beloved middle way was a recipe for getting knocked down by the traffic, was by contrast seen as someone who stood for *an* un-involved dissolved society.

A clear weakness of the Prior approach now is precisely its paternalism, its *noblesse oblige*. *Paternalism* implies a distance of rank, no matter how mediated by courtesy and duty (indeed, usually accentuated by them). Sir Ian loved America and stayed there after the war took him to it in the first place because the society "works at the lowest common denominator of the ordinary man who wants to get on with his life and by his *own efforts take his* opportunities, without anyone or any organisation interfering." For Mr Prior, "perhaps my approach to politics has been too paternalistic and reserved, but then my roots are deep in the English countryside where change does not come quickly."

Sir Ian is out there scrabbling away with the rest of them while Squire Prior, bluff old chairman of the General Electric Company that he is, leans on his gate and greets the neighbours kindly. Who more *resembles* the *common* man? It's an open question.

Mr Kinnock has had to live under the shade of this definition of freedom and has fought *manfully to come out from* under it by redefining it in his favour. Last year, his conference speech proposed the "ennabling state" as one which underpinned the individual's efforts rather than overshadowing them. This year he pronounced a new collective, a "moral majority," a civil society which, without any need of state assistance embraced broad, tolerant and decent principles.

It is the old definition of the kind of freedom over which *there has been a political con*sensus, of which it was possible for Mr Harold MacMillan to say (in his *Middle Way*) that "it is only so far as poverty is abolished that freedom is increased."

Mr Kinnock appears to have won his battles with those in his movement who would claim that human freedom *is* only possible when it is based upon complete economic regulation: Mrs Thatcher, having beaten back the rising damp once, now by contrast sees it rise again.

Christopher Lasch, the US historian, describes such values as "profoundly anti-traditional. They are the values of the man on the make, in flight from his ancestors, from the family claim, from everything that ties him down and limits his freedom of movement . . . a conservatism that sides with the forces of mobility is a false conservatism."

Such a perspective runs through the current US obsession with drugs. For drugs *are* pure freedom, as all those who have tried and reported on the experience tell us. William Burroughs, *who knows more* than most, talked of them delivering release from the "nagging, cautious, ageing flesh" and calls them "the ideal product, the ultimate merchandise." How can a society championing the freedom of the individual and the market effectively withstand them?

Well, America is trying, with the First Lady and *the First* Man appearing together coast to coast to recommend the virtues of apple pie over crack and all the other varieties of street addictives. They are seeking to mobilise the fervour of the original Moral Majority to declare war on the drug plague but are also seeking a fearsome increase in state power in order to stamp it out.

Can we seek to encourage an individualistic society which at the same time preserves an active (rather than a rhetorical, or *sentimental*) sense of community? If the devil take the hindmost is the order of the day in the economic sphere, is it surprising that a real devil *does* take the hindmost who are out on the streets?

The genuine paternalists, like Mr Prior, are probably right to suspect that their days are waning. Whether they are *being* rubbed *out* by "Thatcherism" (their bitterest foe, as they are its) or by the deeper radicalism of consumer society insistently destroying old and creating new needs, they are unlikely to find firm ground again.

The left just might, though it is junking many of the left's defining characteristics in its quest to do so: *it* cannot for example, replace state with personal paternalism any longer. It might by more effectively mobilising a majority, moral or otherwise, around the old insight that freedom is an abstract without personal security, that personal security is only guaranteed collectively, and that collectivity, or community, is only genuinely arrived at in freedom. To enable that to happen is a proper function of the state: it is a slow, consensual non-extreme process.

John Lloyd is editor of the New Statesman. His column will appear every fortnight.

Ethics under pressure

By Barry Riley

IN THE BLUE corner, the plucky Takeover Panel, with its old-time allegiance to the Queensberry Rules. In the red corner, the heavily-muscled international financial giants. A Big Bang signals the start of the contest—but there is no referee, perhaps because the Panel thinks it can do the refereeing itself.

*The Panel has been deliberat*ing for some months over the new challenges arising from the creation of the integrated securities businesses which will come into full operation on October 27. The major new element is that market makers and corporate finance advisers will come within the same organisation for the first time in the UK.

Another important potential conflict is between corporate finance and discretionary investment management.

And both of these, and other, *conflicts are intensified* by the sheer size of the capital that needs to be remunerated, as well as by the international dimension which threatens clashes of cultures.

There are many ways in which the power of market makers can be brought to bear in contested takeover bids. There have been frequent argu*ments in the past about jobbers* going short, creating many more "shares" than were ever issued by the company, and allowing both sides in the bid battle to accumulate stakes of more than 50 per cent, however temporarily.

In future, a market-making arm might decide to build up a long position at a premium, then assent to a *bid* being masterminded by the associated corporate finance team, albeit at a less.

Another indication of what market makers can do has been

COUNT DOWN DAYS TO BIG BANG 21

provided by one of the *big* firms of old-style jobbers, Smith New Court, which has said that it sold short of 7m shares in TI Group (the 15 per cent stake acquired by Evered) and covered the position within 24 hours. That particular transaction was not actually carried out during a takeover bid, however.

If the Panel had decided to be really tough, it might have insisted that the market-making arms of securities groups involved as advisers during contested takeover bids should shut down their trading in the stocks in question—or at any rate restrict their dealing to nominal amounts which could not affect the course of the bid.

However, it is easy to imagine three-way takeover situations in which Warburg, Kleinwort Grieveson, Morgan Grenfell and Goldman Sachs might all be involved at once. An embargo on market making might cripple the market in the stocks concerned.

So the Panel has accepted the principle of the Chinese Wall. Crucial parts of a securities market conglomerate will be treated as running independently — notably the equity market-making and the fund management operations. But the Panel will not simply accept the say-so of the groups in question. Candidates for "exempt" status will have to comply with laid-down standards.

Here, the Panel is relying heavily on the definitions of Chinese Walls laid down nearly two years ago by its now-defunct parent body, the Council for the Securities Industry.

The CSI considered factors such as separate incorporation (albeit under common ownership), separate physical location, the history of the group, past records of co-operative *or* independent action, the financial interests of executives, the extent of the use of common services—such as research or statistical databases — and the existence of an effective compliance department.

But the Panel insists on maintaining flexibility rather than applying a standard checklist. And it will try to monitor behaviour over a period of years, noting cases of *apparent* collusion.

The suggestion is that it is very hard to prove anything on the basis of individual decisions by market makers *or fund* managers, but a pattern of sympathetic action may be detectable in the longer term.

Exempt status will confer immunity from some of the disclosure and other rigours of the concert party rules. But the Panel is anxious that exemption should not become a status symbol. Only those *groups regularly involved* as takeover advisers should apply: any others will be treated on a case-by-case basis.

Even where effective Chinese Walls exist, however, further safeguards are required. Exemption must not be used to further the interests of advisory clients of the corporate finance department.

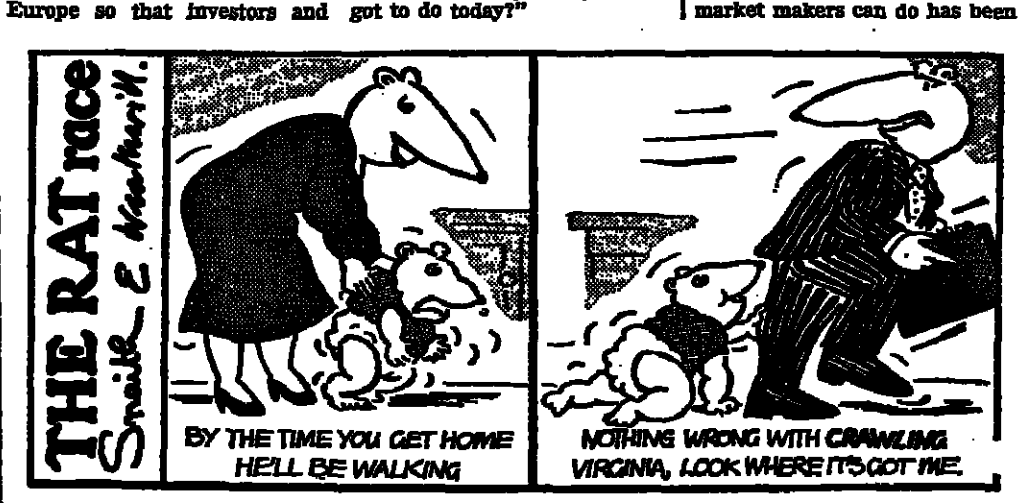
The *Panel*, incidentally, has come down firmly against the use of stop lists, the lists of sensitive stocks which have been circulated within some merchant banks in order to prevent embarrassing and untimely positions from being taken by other parts of the organisation.

In any case, even if they work properly, and are not abused, stop lists must reduce the scope for trading the portfolios of discretionary investment clients, possibly to the latter's detriment.

Investment *clients might* be harmed, in a similar way, by concert party disclosure rules if a fund management arm were not given the opportunity to claim exempt status. The Panel has been persuaded that share prices would react disproportionately if sales by in-house fund managers were disclosed.

Inevitably, business ethics in the City will come under severe pressure. Already the air is thick with accusations of breaches of the concert party or "fan club" rules in takeover bids. Now Chinese Walls could provide another area for the self-righteous denunciation of one merchant bank by another.

The Panel is likely to be able *to survive a few rounds*. But its chances of lasting the distance look fairly slim.



MANAGEMENT

EDITED BY CHRISTOPHER LORENZ

AT FIRST glance, the Industrial Bank of Japan looks like a dinosaur.

IBJ, Japan's fifth largest bank with assets of more than $160bn, was formed in 1901 to provide long term loans to build up Japan's major manufacturing industries.

Today, most of its traditional customers have either become so successful and rich that they no longer need loans or they are in the midst of painful restructuring to survive.

And the few that still can and want to borrow tend to resort to the popular practice these days of issuing bonds rather than taking a long term loan from IBJ. (Like other Japanese commercial banks, IBJ is not allowed to participate in the securities business.)

To make matters worse, the deregulation of Japan's financial markets began in the area where IBJ appears most vulnerable — long term lending.

But if IBJ is suffering from these dramatic changes in its environment, there is little evidence of it.

The bank's assets continue to grow, its profits are on a firm upward trend and its reserves, *including Y3,000bn (£13.5bn)* hidden in its securities portfolio, are among the strongest of any bank anywhere. IBJ's AAA rating from Standard and Poor has just been reconfirmed.

It also remains one of the world's most widely admired banks, both for the quality of its management and for its excellent connections. It counts 90 per cent of Japan's top 200 companies among its customers, and many of the senior managers in those companies are IBJ alumni.

Also, IBJ has long been, and continues to be, a magnet for Japan's brightest and best. This dates from the halcyon days of the 1950s and 1960s when the bank wielded as much power as anyone in the rebuilding of Japanese industry. It was IBJ, and to a much lesser extent the other long term credit banks, that bestrode the commanding heights of the economy, allocating vital long term funds among Japan's ambitious manufacturers.

Even today, IBJ remains one of the most popular employers among Japanese university graduates, partly because of the bank's commitment to training. IBJ probably has more MBAs—200—than any other organisation in Japan. Every year, it sends several promising young officers to business schools in the US and Europe on two-year, full-time study programmes.

On closer examination, it should come as no surprise that IBJ has been able to adjust apparently effortlessly to change.

For one thing, it has the great advantage of being a wholesale bank. In other words, it *specialises in making large loans* to businesses rather than small ones to individuals, and it raises most of its funds in the money markets rather than from depositors.

A wholesale bank can change its tactics or overall strategy more quickly than a bank burdened with a large retail operation. For example, IBJ's total staff numbers only 5,000, about a third the level of a Japanese retail bank of similar size.

Now that its customers have little need of its traditional services in Japan, IBJ has begun helping them finance their *expansion overseas. Conversely,* it is approaching US and other foreign companies, offering to help them expand in Japan.

Meanwhile, recognising the increasing "securitisation" of the banking industry, IBJ has been trying to do as much as it can within the limits of Japanese law to increase its presence in this sector.

As bank officials like to point out, they come to this task from a position of considerable knowledge and skill. Until the Second World War, IBJ had a dominant 80 per cent share of the bond underwriting business in Japan.

However, when the US occupation authorities imposed a Glass-Steagall type law on the country (Glass-Steagal was introduced in the US in 1933 in the wake of the Depression to stop banks speculating in stocks: banking and investment activities were divided), IBJ had to choose whether to be a bank or a securities company. Despite its choice, it has managed to keep its hand in securities to a surprisingly large degree.

It has retained the right to underwrite Japanese public sector bonds, and it still has a dominant two-thirds share of *that market. It also created the* role of "commissioned bank" to keep its hand in private sector bonds. A commissioned bank consults with an issuer on the timing and distribution of an issue and represents bond holders in the event of problems. IBJ has 50 per cent of that business in Japan too.

"This indicates how much we are interested in the securities business," Hideo Ishihara, managing director, international division, points out. "If we did not have article 65 (Japan's Glass-Steagall act), we would still be the biggest underwriter in the private sector too."

IBJ's international expansion has been critical to both its new strategy directions. Prevented from participating in private-sector securities markets at home, *it is under no* such restriction abroad.

The bank was the first of the Japanese banks to expand abroad after the war, although officials admit that it was not until the 1970s that they really began to put some effort into this side. "We were too busy catering to domestic demand," Ishihara says, "and during the 1960s there was a feeling that international banking was just about helping international trade. It was only in the late 1960s that we began to see Japanese companies making investments abroad and money began *moving around independent of* goods in search of a higher return."

IBJ then moved rapidly to build up its overseas network, which now consists of six *branches, 14 subsidiaries,* and 23 representative offices. Its most spectacular move was the purchase last year of a controlling interest, since raised to 75.1 per cent, of J. Henry Schroder Bank and Trust in New York from its British parent.

Like many other Japanese banks, IBJ has used its overseas offices to plunge into the Euromarkets. Last year it ranked third as a lead manager of syndicated Euroloans, 19th as a manager of Eurobonds, and fifth as a book runner on yen Eurobonds.

The foreign offices have also been used to develop new corporate clients. IBJ, as other banks have discovered to their dismay, has quite a package to offer.

*First, it has excellent connec*tions within Japan. Many former IBJ officers are now the captains of Japan's biggest companies, and the bank maintains close contacts with them through its "koryukai" or old boys' club.

Second, the bank is not tied to any of the large trading groups in Japan, such as Mitsui and Mitsubishi, but it has close connections with all of them. Thus, a foreign company dealing with IBJ does not risk being restricted to its Japanese connections.

Third, the bank has become as skilful as any at putting together tax-efficient financing packages for foreign investors.

While building up its strength in new areas, IBJ appears to be coping well with the liberalisation occurring in *Japan's financial markets.*

IBJ officials, who are not known for their modesty, initially appeared hostile to liberalisation. They found it difficult to believe that the market would do as good a job at allocating long term funds as they have done. However, they have warmed to it of late, as they realise that they are unlikely to be hurt by it.

Kaneo Nakamura, president for the past two years, says simply: "The worldwide tendency to deregulation has become inevitable and we have to accept and adjust."

Until two years ago, Japan's long term credit banks, of which IBJ is the largest, were the only commercial banks allowed to raise long term debentures and, thus, effectively the only bank able to make long term loans.

Conversely, they were unable to compete with the retail or city banks in short term lending, because the retail banks had the advantage of a low cost consumer deposit base.

Now the barriers have been reduced on both sides. On the one hand, short-term lending rates are more and more related to money market rates rather than official rates, so the long term credit banks are better able to compete in short term markets. And on the other hand, the city banks have been working hard to find ways of getting around the Ministry of Finance (MoF) prohibition on their raising long term, fixed interest funds.

In the past few months, a new gimmick, called yen-yen swaps, has been developed. The idea is that the city bank makes a deal with an issuer of long-term, fixed rate Euroyen debt to swap the liability for the interest payments on that debt for an equivalent liability on its short term, floating rate debt.

The MoF has indicated its unhappiness about this latest invention, but IBJ officials seem not to be worried about it. They say it is a clumsy procedure and is unlikely to become popular because of the volatility of Euromarkets.

However, they are worried about the MoF ultimately acceding to city bank pressure to allow them to issue their own long term debentures. If that happens, IBJ would demand a very large quid pro quo, such as permission to become a commercial securities dealer.

Whatever happens in the worldwide banking industry, Nakamura is confident that IBJ *will remain a strong part of it.*

He sees the bank remaining a specialist in corporate banking, but having to provide an increasingly wide range of services to maintain their custom.

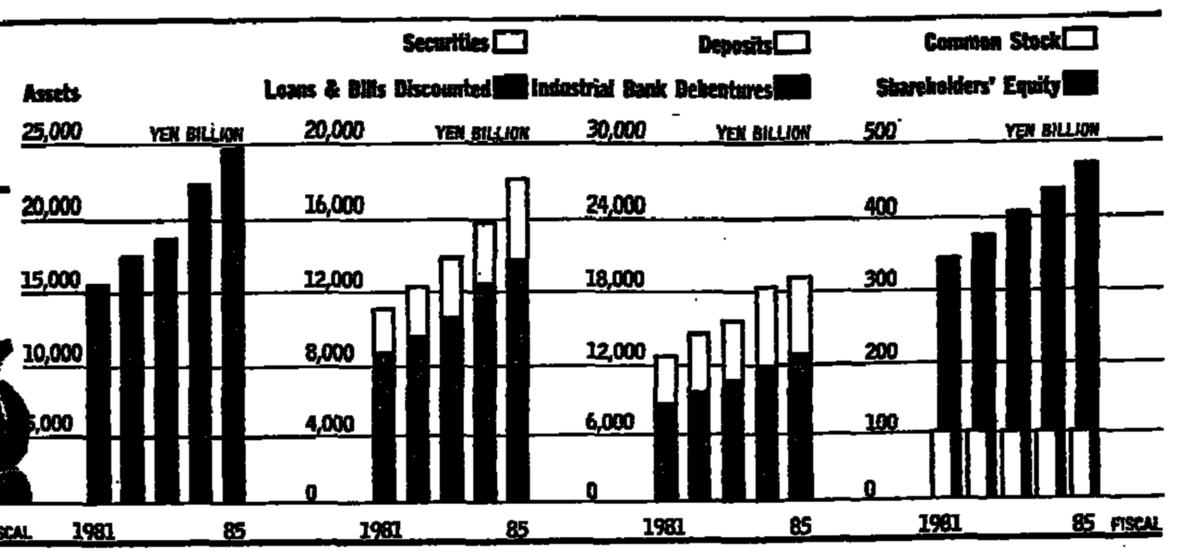
"We will be able to respond to the requests of multinational companies everywhere," Nakamura says.

The possibility of a foreigner becoming a senior officer seems to him "remote," although he insists that young employees of foreign subsidiaries have unlimited potential within those subsidiaries.

But at head office? Perhaps in the next century.

Previous articles in this series appeared on September 8 and 22.

KANEO NAKAMURA



A seemingly effortless adjustment

Ian Rodger continues this series by describing how IBJ is realigning its activities

EVERY September, one of the most distinguished groups *of Japanese businessmen* meets. Called the Koryukai, it is the alumni association of the Industrial Bank of Japan.

It is composed of nearly *1,000 people, some of whom* have retired but many who have left the bank to become senior executives of other companies.

The Koryukai (the word means industrial current association) was formed in 1946 when the IBJ was struggling to rebuild itself after the war before going on to finance the phenomenal reconstruction of Japanese industry.

At their meeting two weeks ago, Kaneo Nakamura,

the current IBJ president, made his customary detailed report on the bank's affairs.

Exceptionally, he also decided to recall a few salient points of the bank's position 40 years ago. At that time, it had only Y15bn in assets, 10 branches in Japan and a staff of 1,500 people. Today, it has Y25,000bn in assets, 24 domestic offices, 43 foreign offices and 5,000 employees.

It would seem difficult to beat that growth record in the next 40 years, but Nakamura *was not pessimistic.* "Maybe we will have more growth. Japanese people are living longer," he said in an interview.

He seemed less happy about *the huge changes in the* nature of the banking business that have taken place in the past 40 years. "Many members complained that they did not understand what I was talking about—things like swaps, rating agencies, treasury dealings."

Business courses

Retailing financial services "1990," London. December 3. Fee: one delegate (before October 31) £199 + VAT, (after October 31) £220 + VAT: 3 or more (before October 31) £185 + VAT, (after October 31) £210 + VAT. Details from Anne-Marie Duffy, Mintel Publications, KAE House, 7 Arundel Street, London WC2R. Tel: 01-836 1814.

Leadership and motivation seminar. London. November 5. Fee: 1 delegate at £125; 2 delegates at £225 for two; 3 delegates at £300 for three; additional delegates at £100 each. Details from Fria Troffall, Stoy Hayward, 8 Baker Street, London W1M 1DA. Tel: 01-486 5888.

Concepts of corporate financial modelling. London. December 2-3. Fee: £300. Details from Nigel Meade, Department of Management Science, Imperial College, Exhibition Road, London SW7 2AZ. Tel: 01-589 5111, ext 7123.

Interest rate management. Brussels. November 17-20. Fee: Non-members BFr 82,700; members AMA/I BFr 74,400. Details from Management Centre Europe, rue Caroly 15, B-1040 Brussels. Tel: 32/2/516.19.11. Telex: 21.917.

Stepping into the future: a strategic change workshop for organisational transformation. London. November 23-24. Fee: £450. Details from the secretary, Management programme, Brunel University, Uxbridge, Middlesex UB8 3PH. Tel: 0895 56461 ext 215.

Receiverships, arrangements and administration orders. London. November 26. Fee: £180 + VAT. Details from IBC House, Canada Road, Byfleet, Weybridge, Surrey KT14 7JL. Tel: 09323 55244.

Time and priority management, London. November 17-18. Fee: £360 + VAT. Details from Cherry Bigmore, BIS Applied Systems, 20 Upper Ground, London SE1 9PN. Tel: 01-261 9237. Telex: 919642.

How to use the Big Bang to your advantage, Maidenhead. November 30-December 5. (Repeated: February 15-20 1987, April 26-May 1 1987). Fee: Members of IM £660 + VAT; non-members £775 + VAT. Details from IM Marketing Training, Moor Hall, Cookham, Maidenhead Berks SL6 9QH. Tel: 06285 24922 ext 29.

Company Notices

Notice of Distribution

FIDELITY INTERNATIONAL FUND N.V.

Registered Office: Schottegatweg Oost, Salinja Curaçao, Netherlands Antilles

To the Holders of Registered Certificates and Bearer Certificates U.S. $1.00 par value

Notice is hereby given that, pursuant to the Plan of Liquidation and Reorganisation adopted as of March 20, 1986, as amended, of Fidelity International Fund N.V. (the "Fund"), the Liquidators of the Fund intend to deliver on November 3, 1986 to a consignment facility of Bank van de Nederlandse Antillen (Central Bank), Curaçao, Netherlands Antilles, liquidation proceeds for the benefit of Holders of Registered Share Certificates and Bearer Share Certificates of the Fund who have not surrendered their Share Certificates to The Bank of Bermuda Limited by November 3, 1986. The liquidation proceeds will consist of ten shares of Fidelity International Fund, a Luxembourg société d'investissement à capital variable formed as part of the reorganisation, (the "SICAV") for each one share of the Fund held by a Holder.

To receive their SICAV shares, Holders should deliver their Fund Share Certificates or Certificates (with dividend coupons numbers 10-20 inclusive attached, in the case of Bearer Certificates) to the following banks:

PRIOR TO NOVEMBER 3, 1986
The Bank of Bermuda Limited
Transfer Agent for Fidelity International Fund N.V.
6 Front Street, Hamilton 5-31, Bermuda
Attention: Stock Transfer Division

FROM AND AFTER NOVEMBER 3, 1986
Bank van de Nederlandse Antillen (Central Bank)
Consignment Facility for Fidelity International Fund N.V.
Breedestraat No. 1 (P), Curaçao, Netherlands Antilles

It is suggested that Holders who mail their Certificates do so by registered mail, insured, since the risk of loss of Share Certificates will be borne by the Holder.

For further information, please contact any of the individuals listed below.

By Order of Management
Charles T.M. Collis
Secretary

Mr. Michael B. Sommerville
Fidelity Distributors International, Ltd
P.O. Box 670, Hamilton 5, Bermuda
Telephone Bermuda: (809)295-0665 Telex: 3318 BA Cable: FIDENTCO

Mr. Philip B. van Neste
Fidelity International (C.I.) Limited
9 Bond Street, Jersey, Channel Islands
Telephone Jersey: (0534)71696 Telex: 4192260 G

Mr. Paul Forsyth
Fidelity International Investment Services, Limited
25 Lovat Lane, London EC3R 8LL England
Telephone London: (441)283-9911 Telex: 884387

NOTICE TO HOLDERS OF WARRANTS GUNZE LIMITED

5¾ PER CENT GUARANTEED NOTES DUE 1990 WITH WARRANTS

[illegible]

BY GUNZE LIMITED,
The Mitsubishi Bank, Limited,
as Principal Paying Agent.
30th September, 1986.

THE UNION COLD STORAGE OF SOUTH AFRICA LIMITED

(Incorporated with limited liability in the Republic of South Africa)

NOTICE IS HEREBY GIVEN that Dividend No. 34 of 70 cents per share has been declared payable to shareholders registered in the books of the company at the close of business on 17th October 1986.

[illegible]

By Order of the Board
AFRICAN FINANCE CORPORATION (UK) LIMITED
London Secretaries
per R. S. BRUNT

London Office:
5-15 Earl Street
Finsbury Square
London EC2A 2NA
6th October 1986

PROVINCE OF QUEBEC INTERNATIONAL ISSUE OF $CAN 50.000.000 17, 50 % 1981-1987

We inform the bondholders that in accordance with the terms and conditions of the notes, the Province of Quebec has elected to redeem all of its outstanding notes on November 15, 1986 at 101 %.

Interest on the said notes will cease to accrue on November 15, 1986.

The notes will be reimbursed, coupons nr 6 due November 15, 1987 attached according to the terms and conditions of the notes.

THE PRINCIPAL PAYING AGENT
SOCIETE GENERALE ALSACIENNE DE BANQUE
15, Avenue Emile Reuter
LUXEMBOURG

DOME PETROLEUM LIMITED $ US 50.000.000 FLOATING RATE NOTES DUE 1994

For the six months, September 24, 1986 to March 23, 1987 the rate of interest has been fixed at 6 7/16 % P.A.

The interest due on March 24, 1987 against coupon nr 10 will be $ US 323,66 and has been computed on the actual number of days elapsed (181) divided by 360.

THE PRINCIPAL PAYING AGENT
SOCIETE GENERALE ALSACIENNE DE BANQUE
15, Avenue Emile Reuter
LUXEMBOURG

NIPPON MEAT PACKERS, INC. (CDRs)

The undersigned announces that the Annual Report year ended March 31, 1986 of Nippon Meat Packers, Inc. will be available in Luxembourg at: Kredietbank S.A. Luxembourgeoise, Luxembourg and further in Amsterdam at: Algemene Bank Nederland N.V., Amsterdam-Rotterdam Bank N.V., Bank Mees & Hope N.V., Pierson, Heldring & Pierson N.V.

Amsterdam, 24th September 1986
AMSTERDAM DEPOSITARY COMPANY N.V.

Clubs

Contracts & Tenders

SYRIAN ARAB REPUBLIC

International call for Offers

No. CD/86091

General Company of Homs Refinery in Syrian Arab Republic, announces its wish to invite offers for: investigation and comprehensive study and finding the appropriate solutions for the pollution problems (water and air in Homs District — Syria).

—The documents of this call for offers could be obtained upon the remittance of one thousand US dollars into our account No. 3001/28 at Commercial Bank of Syria — Branch Homs No. 1.
—Bid Bond: 2% of the offer total amount.
—Performance Bond: 10% of contract total amount.
—Delay Penalty: 1 per thousand per day not exceeding 20% of total amount.
—Validity of Offer: 90 days from closing date.
—The awarded company will bear all fees and taxes at the rate of 1.248% of total amount plus advertisement costs.
—Closing date for receiving offers: Monday 1st December 1986.
—The provisions of Regulatory Decree No. 195 of 1974 and Ministerial Announcement No. 349 of 1980 as well as the book of general conditions of this call will govern this call for offers.

General Director
Dr M. K. Karfoul

Architecture/Colin Amery

Three gods at the Royal Academy

There are three gods in the temple. They are invisible. They are silent. Acolytes surround them, vestals attend them, and throughout the halls of the temple can be heard the loud notes of the trumpet of Fame. Tribute is demanded from their followers, homage from the world, and attendance in large numbers at their *rites* and displays.

The trinity are the gods of something called the New Architecture, a magic discipline for the transformation of the world. Foster is the god of high-priced technology; Rogers is the god of a late-flowering futurism; Stirling is the god of the latent classical renaissance. If it is possible for divinities to bury their differences, these three have agreed to divide the temple of the Royal Academy and share the spoils of public adulation.

You have until just before Christmas to visit the exhibition at the Academy and see the heavy promotion for these three architectural heroes. It is worth a visit because it is a highly accomplished and polished presentation of three very particular talents. Do not expect it to be a balanced representation of the current state of architecture or even a rational discussion of the careers of the three protagonists. The great virtue of the exhibition is that it is very simple and quite small.

Each architect shows one completed scheme and one unbuilt project. There are six rooms. One is devoted to Richard Rogers's London as it could be and a display about Lloyds. Another room is devoted to the Hong Kong Shanghai Bank and a second to Norman Foster's abortive project for the BBC in Portland Place. Jim Stirling has three rooms to show his Staatsgalerie in Stuttgart and his entry for the National Gallery extension selection procedure.

There is also a didactic display in the Octagon of the exhibition that purports to tell the history of recent architecture in Britain. This is curiously childlike and best ignored.

Richard Rogers is the one architect who hase risen to the challenge of presenting new ideas for London to the public in the form of a theatrical display. He has installed a scale model of a new link across a straightened version of the Thames, designed very much in the 1920s city of the future style. At the Charing Cross end of the new bridge, roads disappear miraculously, the world is suddenly full of people enjoying the monorail from Waterloo to the National Gallery. The model is a brilliant *coup de theatre* and although Roger's architectural language does not develop much beyond that of a design for a science fiction movie, he does float stimulating ideas. I wish that his model moved, that trains ran across the river and the reactor-like globes were to spin in a triumph of mechanistic movement.

The Lloyd's of London building is familiar and there is not much to say about it in the exhibition except to recommend a visit to the real thing.

Norman Foster may appear superficially to be very much like Rogers but his work is really that of a much brighter first cousin. The dazzle of the audio-visual display of the Hong Kong Shanghai Bank, complete with Chinese music, almost captures the excellence of the real building. The development of the BBC Radio headquarters for Langham Place is a quite marvellous display — abstract and yet London-like, controlled and careful and responsive to both technology and the city. Norman Foster is the most sensitive of the technologically-based architects and it is clear that he is poised for impressive development.

There is no mention in the exhibition of the enormous cost of the Hong Kong Bank and I would have liked to see more of Foster's ideas for the improvement of the production process of building and construction. Surely he should be building in London for the new world of the technological office.

Rogers stimulates; Foster demonstrates total ability and control; but only Jim Stirling offers the visitor to the exhibition the challenge of an attack on the intellect.

Stirling has chosen to show his great museum in Stuttgart in the form of brilliantly back-lit transparencies and a full-scale mock-up of a fragment of the gallery using the authentic materials. Isolated in a room is his entry to the selection process for the National Gallery which he has developed and drawn up in finely rendered sections and plans.

The display of Stuttgart does show that this is one of the best new buildings in Europe. It is somehow much better in detail than either the Fogg at Harvard or the Tate—it clearly benefited from the addition of German technical efficiency. Stirling works well at a large scale and the Stuttgart gallery is a much better building than the design he produced for the London National Gallery.

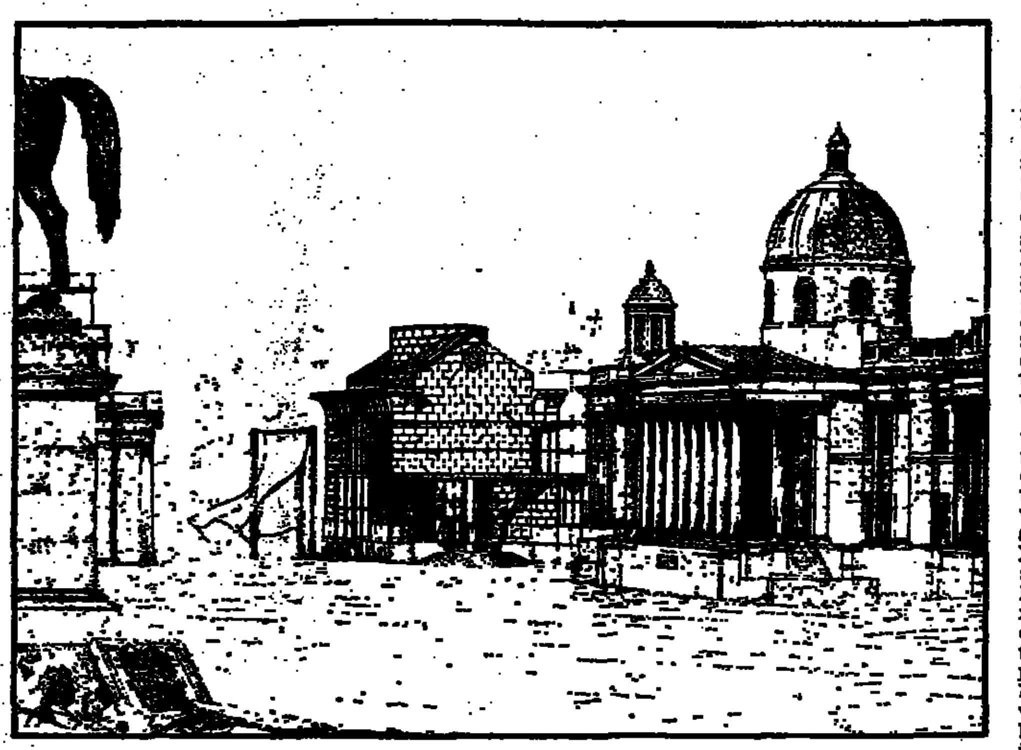
The curious neo-Assyrian pavilion that would have fronted the galleries should but somehow doesn't sit comfortably in Trafalgar Square. It also lacks the sensuousness of Stuttgart. One visitor to the exhibition told me he found it sad that Stirling, Foster and Rogers had put so much into schemes that would never be built. It would have been helpful for the public to have seen the development of the careers of these three architects, particularly as they have all changed in major ways.

James Stirling offers more than most living architects to the debate about the need for catholicity in current architecture. He may be controversial but he has resolved the stylistic dilemma of our times. His references to past styles and his use of architectural history as a bran tub of ideas make him very appropriate for cultural buildings. The news that he is to design the new part of the Thyssen Gallery in Lugano is good indeed, and the whole of the new Tate is also his. The Stirling style, in all its brazen inventiveness, brings serious movement to the architectural progress.

If you are not familiar with the state of the art of architecture this exhibition is to be commended. It will probably not establish new styles or raise the imaginative level of the average architect. In many ways it seems much too metropolitan and private a display. Architecture is wider and broader and subtler than you would think from the Academy exhibition. Change and progess is sometimes made outside the official temples.

This belated attempt by the Academy to honour three of its distinguished members only tells part of the story of the true growth of architecture in Britain in the past quarter of the century.

New Architecture — Foster, Rogers and Stirling is at the Royal Academy until December 21. It is sponsored by Bovis Construction, British Gypsum, The Canary Wharf Development Company, The Electricity Council, Gartner, Otis Elevator plc, Pilkington Glass, and Global Asset Management.



Unsuccessful entry for the National Gallery competition by James Stirling, now displayed at the RA exhibition

Carmen/The Marlowe, Canterbury

Ronald Crichton

It may rain *Carmens* cats and dogs, but ever-widening popularity doesn't make this opera any easier to perform. Why not give it a rest and revive Bizet's neglected *The Fair Maid of Perth* instead? Not a hope — the box office stays supreme. Kent Opera, who could do *The Fair Maid* nicely, has played safe. Their new *Carmen* directed by an experienced producer from the straight theatre, Robin Lefèvre, opened the autumn tour at Canterbury on Thursday.

There is no attempt to rival experiments and excesses in *other* places. This is a *Carmen* on conventional lines, careful to a fault. It will serve as a framework for strong individual performances—when these are forthcoming. Meanwhile all is neat and decorous. Movement in this most electric of operas is undistinguished. The pseudo-Flamenco dancing is saddening, like a parody of old-style British "musical comedy."

The designer, Grant Hicks, has set the action in a handsome plaza with double arcades round three walls, ingeniously reduced to a ruined fragment for the mountain landscape of the third act. Costumes are kept sober until the last act, when the bull-fight releases a riot of colour, gaudy as the new BR railway carriages.

It needs a fair charge of intensity to bring this low-voltage spectacle to life. The only principal who can do this is the American tenor Howard Haskin, singing Don José cleanly as well as vitally, negotiating the vocal hurdles with skill. Mr Haskin can fill a medium sized theatre like the Marlowe without pressing. The Swedish mezzo Anne-Marie Mühle has smoky tones and a pretty face with wide cheekbones, promising a warm temperament and pleasing good humour, but hardly the implacable fires which should burn in Carmen's eyes.

In the card scene Miss Mühle proves that she can manage without the huskiness wrongly believed to be essential to the role. She would be a stronger Carmen with less smokiness and breaking up of phrases for emphasis—Michael Irwin's new translation sounds generally well. She is more eloquent with her hands (better castanets playing than most) than her feet. I doubt if this kind of gypsy would turn her toes in when she walked.

Alan Oke sang the toreador's couplets with more care than they usually receive. Otherwise his well-schooled voice had a touch of churchiness unexpected in the character of Escamillo. The Michaëla, Meryl Drower, produced in her aria the evening's finest single piece of singing. Small parts were well taken. Among them, one remarked the Zuniga of Steven Page and the smuggler Dancairo of Philip Creasy for their strong, natural delivery.

The conductor, Ivan Fischer, started with plenty of bounce and snap, helped by well-trained children from two Hastings schools (they could risk more southern shrillness). The orchestra, not yet entirely at home with the ins and out of Bizet's mercurial writing, sounded more than willing. By Act Three things went slightly off the boil. Though the chorus was in good form the big ensembles were a fraction staid. Neither principals nor orchestra captured the mounting tension of the opera's final scene.

Central Ballet of China/Sadler's Wells

Clement Crisp

A first impression of the Central Ballet of China, making its British début at Sadler's Wells Theatre on Thursday, is of an ensemble sustained by excellent schooling. Whatever the constraints imposed upon the company by the smallness of the Wells' stage—and it was everywhere plain that dance quarts were being fitted into pint pots of performance area—a largeness of style and a generosity of manner were qualities immediately to be admired.

These Chinese dancers bear the strong imprint of Russian training: their movements have a boldness and a power that triumphs over some of the material they perform; their enthusiasm for dance, their muscular commitment to their task, suggest that in more ample surroundings effects would seem more sure and more coherent.

The evening began with the second act of *The New Year's Sacrifice*, a full-length creation based upon a Chinese short story about a widow forced into a new marriage. As an example of how the Chinese are adapting the procedures of the big spectacular ballet to national themes, the piece was fascinating. The mixture of traditional elements of folk-dance divertissement and soliloquising solos for the groom (Wang Caijun) give way to a genuinely touching appearance of the hapless bride (Guo Peihui) and to an emotionally intense sequence in which the young woman's distress yields before the sincerity of her husband. The dance language is predictable in the main, but once arrived at the heart of the action, Jiang Zuhui's choreography does not cheat on feeling, and we are gripped by the drama and by the bold playing of Mr Wang and Miss Guo.

The two shorter works which followed helped place the dancers within the context of traditional classic attitudes. Maria's Fay's *Four Romantic Pieces* offers genteel dances to Dvorak music, but it serves to show off four girls and five men in the company as fluent and beautifully precise executants in lyric fashion. The Tarzan and Jane fatuities of the *Corsaire* duet were bravely presented by Miss Guo and Zhao Minhua, and here the security and unforced decency of their technique avoided all trace of factitious glitter: the dance shone on its merits and not through cheap tricks.

About the final *Swan Lake* Act 2 I have reservations largely dictated by the confines of the stage. For artists used to space in which their movement can breathe, the Wells must seem a straight-jacket, and these close encounters of the avian kind did not allow either the corps de ballet or Tang Min as Odette to do proper justice to themselves. They were not much helped by what looked a suspect text of the choreography, though Zhang Weiqiang as Siegfried picked an elegant path through the clustering swans.

This visit by the Central Ballet has been made possible by the generous sponsorship of Cable and Wireless: to them our thanks.

Twelfth Night/Haymarket, Leicester

Martin Hoyle

Sparkle may not be one of them, but the new *Twelfth Night* at Leicester's Haymarket boasts many solid virtues. Dermot Hayes's intriguing set comprises a decayeed segment of a many-galleried Elizabethan playhouse. Joists show, warped woodwork cracks, modern scaffolding provides walkways; and through the gaps in the wall bare branches as from some petrified forest can be glimpsed against the starry night sky.

All of which is in fact slightly puzzling since neglect and ruin play no part in Nancy Meckler's production. A sombre mood certainly underlines the intrigues (Malvolio is treated with proper and excellent seriousness), but the main emphasis seems to be on the timelessness of the characters. Leslie Gilda's costumes combine first and second Elezibethan eras. Sir Toby's breeches are pin-striped flannel held up by braces; his green velvet doublet reveals a swallow-tail when he turns round. And Malvolio's first entrance finds him in a marvellous concoction of archaic black velvet breeches, white shirt-front and black bow tie.

This is a serious reading of the play, and the comics are correspondingly low key. The midnight carousing is convincingly boozy. In context Toby's "cake and ale" jibe is fast and angry, a naturalistically irascible passage at arms. When he plots against Malvolio, "We'll have him in a dark room and bound" sounds almost sadistic. Nick Stringer's performance lacks geniality besides gentility; an ex-colonial police sergeant, say, itching to bully someone.

The serious approach pays dividends with Christopher Ravenscroft's beautifully judged Malvolio. Hoarsely deliberate of speech, he oversees Olivia's household with weary irritation as if it were all too too much. His final furious exit prompts a totally real air of embarrassed concern among the merrymakers.

This follows a brother-sister reconciliation of rapt intensity that raises the temperature of a steady if unexciting evening. Alexandra Mathie's Viola is clear and cogent, her willow cabin arietta, in keeping with the production, an urgent blueprint for action. She makes a stocky little Cesared, rather less pretty than her twin, whom Floyd endows with a faint cockney accent — evidently the result of frequenting the lower deck not wisely but too well.

The production's visual electicism is epitomised by Christopher Good's Aguecheek: in puffed breeches and candy-stripe tights, he resembles every Victorian illustration of the character and gives an accomplished comic performance that gets laughs where many Sir Andrews don't even know they exist. George Irving's slightly wooden Duke strikes me as unlikely to loll romantically around listening to music and even to David Cross's attractive electronic hum or traditional songsettings, abetted by keyboards and recorder.

Cindy Oswin's sympathetic, unexaggerated Maria is a plus; and Sylvester McCoy is much happier as Feste than in his recent London run-in with the Bard, irrepressibly zany even in this sombre production. The performance ends with a thunderstorm; the revellers scatter; unfurling a moth-eaten umbrella Feste sings grimly on, alone in the derelict building.

Rattle & Donohoe/Barbican Hall

David Murray

On Thursday Simon Rattle brought his City of Birmingham Symphony Orchestra up for a particularly lavish concert—with Peter Donohoe playing not only Gershwin's Concerto but the solo piano in *Petrouchka*—and they covered themselves in glory. Not altogether, perhaps, in their opening Stravinsky, the Symphony in Three Movements, which was less thumpingly insistent than the recent Colin Davis performance but also less taut; thereafter, the evening went from strength to strength.

If it was surprising to find Donohoe taking up the Gershwin piano concerto, he demonstrated what must be a standing affection for the composer by tossing in a brilliant Gershwin solo medley as encore. He was strong and idiomatic in the Concerto itself, and Rattle drew out the best tunes as anyone would expect after his Glyndebourne *Porgy*. That incurred a small cost, for it left the sectional construction of the piece nakedly exposed (Gershwin was no symphonist), but it made the most of its real virtues. The smoochy trumpet was delightful, though I suspect Gershwin wanted something less frankly pop.

Petrouchka gained immeasurably from Donohoe's commanding contribution, as much in tuttis — where Donohoe supplied extra degrees of thrust and ping — as in the penetrating solos. The orchestra was not to be outdone: it was a superbly prepared performance (with the Shrovetide Fair sensationally clear and vital at every level, not just a lively tumult), and Rattle made it electrifying theatre. A special encomium was earned by almost every section; at Rattle's driving tempi the trumpets and trombones took one's breath away, led by the most exciting young orchestral trumpet since John Wallace. In the concert hall even the best *Petrouchkas* rarely achieve the dramatic precision of this one, and never (as far as I know) in the theatre.

In Ravel's *La Valse* Rattle improved upon his excellent Philharmonia account last season. Same main lines, urgent and dangerous; but new touches of evil lilt swung the piece toward authentic nightmare, faithful to the spirit of the piece and quite hair-raising.

Muffet Inna All a Wi/Albany

Claire Armitstead

Sistren have launched themselves into their second British visit apparently determined that no-one should go away empty-handed: teeshirts, tapes and textiles are all part of the industry that has sprung up around this unique Jamaican women's theatre collective.

Once past the riches one is confronted with rags—festooned like ships' rigging around a stage bare but for a collection of white-painted boxes, a hoop and a tawdry collection of circus props.

Into this arena slithers the Trickster, a figure of sometimes malicious, sometimes jaunty sinuousness who is the self-appointed master of a cruel circus of degradation meted out by a dominantly male society upon women at home and at work, in the media and the marketplace.

Through a series of stylised scenes the degradations are illustrated: Muffet, the universal woman, is mugged, robbed, raped and auctioned off to the higher bidder in the audience. Her ordeal is wrapped around with music ranging from the Trickster's snappy reggae signature, to drums and earthy folk rhythms for Muffet—a collective performance from three of the six actresses.

Sistren's style is rich and surprisingly familiar: circus, pantomime and revue all play their part in what is billed a pop show in the Jamaica dance-hall style. Trickster not only rules the roost, but he is a master of ceremonies, capable of diverting and demeaning the story Muffet has to tell, by infiltrating it in a series of thin disguises or simply by insisting it is told his way. He can control both its content and its form.

The show is at its best when at its most physical. The quick-fire Jamaican patois makes few compromises to unaccustomed ears, but the burlesque of male behaviour—all gas and gun butts—finds a universal language of strutting and posturing.

As does the music, from the band, Works of Women, whose range extends from modern keyboards and guitars to traditional drumming and, in one memorable scene, a vivid vocal evocation of a tropical nightscape.

The final message of the show is one of strength against the odds: the Muffet in all of us can defeat Trickster and his merry men, and find a voice through companies such as this.

Bristol Old Vic to tour overseas

The Bristol Old Vic is to take the Tom Stoppard adaptation of Czech dissident writer Vaclav Havel's play *Largo Desolato* on tour to the Netherlands during November. This will coincide with a presentation award to Havel by the Erasmus Prize foundation.

The world premiere of the play will be at the New Vic on October 9.

At the National

Sir Michael Levy, who retires as director of the National Gallery in January 1987, has chosen the pictures from the Gallery purchases under his guidance for the exhibition *Director's Choice: Selected Acquisitions 1973-86* from December 17 to February 15.

From March 18 to May 17 the third in a series from the Education Department, *Bodyline: The Human Figure in Art*.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

October 3-10

Music

WASHINGTON

[illegible]

CHICAGO

[illegible]

NEW YORK

[illegible]

TOKYO

[illegible]

BRUSSELS

[illegible]

NETHERLANDS

[illegible]

PARIS

[illegible]

LONDON

[illegible]

ITALY

[illegible]

VIENNA

[illegible]

Saleroom/Antony Thorncroft

Viennese delights

By far the most interesting auction of the week takes place at Sotheby's on Wednesday when 141 paintings and drawings produced in Vienna between 1880 and 1930 come under the hammer. The sale is the brainchild of Alexander Apsis.

The aim is to draw attention to the flourishing artistic life of the city at the turn of the century and to bring to international awareness artists other than the much acclaimed Schiele, Klimt and Kokoschka. The major exhibition devoted to the arts in Vienna around 1900, currently in New York, has helped to stimulate interest in the period. Sotheby's thinks it is on to a winner.

What is remarkable in the auction is the variety of the work on offer and the wide price range. There are drawings for a few hundred pounds while the most expensive lot is a rather dreary view of a church by Schiele, priced at up to £60,000 (a modest estimate for an artist whose best works top £1m).

Perhaps the find of the auction (although he is famous in Vienna) is Wilhelm List. His *Night rises from the sea* is an evocative futuristic work firmly in the Klimt tradition but very much cheaper, with its £60,000 top estimate. Another work by List, a self-portrait with his brother, is an earlier version of a painting now in the Österreichische Galerie in Vienna.

The precedent for this auction has been the unexpected success of Danish and other Scandinavian 19th-century paintings in the saleroom in the past two years. Now it is the turn of the Austrians to be re-assessed. Who is next? Perhaps the Hungarians or the Finns?

Another important sale of continental paintings takes place in Madrid on December 9. Sotheby's is to offer 42 pictures by the late Joan Miro. It is the first auction devoted exclusively to the Spanish artist, and it will be the first fully international sale organised in Spain. The money raised will go to a foundation formed to study the work of Miro and to promote contemporary art. As a result the Spanish Government is putting no restriction on the export of the paintings.

The paintings date from 1938 to 1981 and range in price from $7,500 to $200,000. Fourteen of them are oils. The works are to be exhibited before the auction in Osaka, Tokyo, New York and in London (November 28 to December 2).

FINANCIAL TIMES
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Monday October 6 1986

Appeasement in the skies

MR JOHN MOORE'S arrival at Marsham Street as Britain's Transport Secretary might have been expected to signal a renewed determination on the UK's part to achieve significant liberalisation of air transport in Europe. Mr Moore has been a passionate advocate of the free market in many speeches. In the event, however, Mr Moore is proving far from a European equivalent of Mr Alfred Kahn, the brains behind US deregulation: he is currently arguing a brief that could have been written by an official of the International Air Transport Association.

The extent to which Mr Moore is willing to appease the protectionist lobby in Europe has become fully evident only in the past week. The British minister, who is currently president of the EEC transport council, is backing reforms which are significantly less liberal than those proposed in 1984 by the European Commission. Two years ago, it rejected 50:50 capacity sharing between flag airlines on European routes, arguing that no airline should be guaranteed a market share of more than 25 per cent. Capacity sharing rules are generally regarded as the principal obstacle to efficiency and low fares in Europe.

Sordid panoply

Yet, in spite of the importance of arguments about capacity, Mr Moore is pushing only for 55:45 capacity-sharing in the next two years, with the possibility of a 60:40 split after three years. This looks like a significant retreat on the UK's part towards the restrictive position adopted by France and West Germany, which have never been in favour of meaningful liberalisation. Mr Moore's appeasement of the protectionist lobby has infuriated the Netherlands, which had thought that Britain was a reliable ally in the struggle for liberalisation. Mrs Nellie Smit-Kroes, the Dutch Transport Minister, failed to attend Friday's informal council meeting and has accused Mr Moore of "adding too much water to the wine and too fast."

Mr Moore's defence is that it is better to get agreement on incremental reform than no agreement at all—that conciliation can achieve more than confrontation. Is this true? This is 1986 not 1984: the European Court of Justice has ruled that aviation is subject to the competition rules of the Treaty of Rome. Mr Peter Sutherland, the competition commissioner, has sent out letters to the airlines detailing the way their cartel contravenes European law. The truth of the matter is that the whole sordid panoply of price controls, entry restrictions and capacity ceilings ought to be thrown aside.

Slammed shut

Moreover, this is arguably the worst possible time to reach agreement on minimalist reforms. The Court of Justice decision confers legitimacy on the advocates of liberalisation, but its impact will fade over time. The question of how EEC competition laws should be applied to aviation needs to be settled quickly. If EEC ministers underwrite 55:45 or even 60:40 capacity sharing, the protectionists will be able to argue that, in the special case of aviation, this is what it means to abide by the Treaty of Rome. A window of opportunity for serious reform will have slammed shut.

Instead of seeking conciliation and compromise, the UK should take a stand of principle. It should say that it believes in competition, that it intends to uphold the spirit of the Rome Treaty and that it fully backs Mr Sutherland's efforts to break the airline cartel.

The matter might profitably be taken up at a higher level than that of transport ministers. Mrs Thatcher could write to Mr Jacques Chirac and Mr Helmut Kohl, two conservative leaders who, like herself, are committed to market forces and deregulation, and ask how they can possibly support continued cartelisation of air transport in the light of the European Court's decision. All three leaders, on this most visible issue, have a chance to demonstrate that their rhetoric about competition is not empty.

The excesses of executive pay

ARE BRITAIN'S top managers overpaying themselves? Certainly the man or woman on the Clapham omnibus could be excused for feeling the odd twinge of envy as successive surveys of top management pay point to fat increases. All the more so when Mr Nigel Lawson, the Chancellor, continuously attacks British industrialists for conceding pay rises to the workforce that fall well short, in percentage terms, of those that prevail in the boardroom.

The question is whether this disparity simply reflects the way in which the laws of supply and demand affect the different ends of the labour market, or whether a lack of accountability in the determination of top management rewards — which usually constitute minute fractions of turnover and profit — is leading to unjustifiably large increases in earnings. The aggregate figures do not lend themselves to a neat aggregate answer.

The standard apologia for double figure pay increases in the boardroom is that good managers are both scarce and internationally mobile. This is undoubtedly true; and it is also true that recent increases reflect the upsurge in profitability in British industry. Against a favourable political and economic background many chairmen have sought to make up the ground lost under the last Labour Government when sizeable increases were regarded as politically unacceptable. Lower marginal tax rates have also encouraged a shift away from tax avoiding perks to direct pay increases.

Ratchet principle

It does not follow, however, that the big increases are necessarily going to the right people. The latest pay survey from Charterhouse, for example, suggests that while typical board directors are seeing double figure increases, senior managers at below board level are not receiving much more than the average pay increase enjoyed by the British workforce.

Yet they are those who have borne the brunt of the managerial shakeout in British industry in the period of sterling's overvaluation in the first half of the 1980s. And some of Britain's better known corporate predators attribute part of their success to the simple expedient of clearing out deadwood in the boardroom and bringing up hitherto under-rewarded middle management.

A more important ground for scepticism is the link between pay and profitability. Clearly it is desirable that pay should be linked as far as possible to performance. But performance is not necessarily synonymous with profit; and where profit-related bonuses are concerned, there is a risk not only that total pay may rise out of line with executive labour market values, but that the bonus scheme will operate on the ratchet principle. Past experience suggests that when profits turn down, the bonus too often tends to be consolidated with basic salaries or otherwise fudged. Putative long-term profit improvements are used to justify the maintenance of bonus levels when a genuine short-term profit decline has been incurred.

In those sectors where performance can be very closely related to revenues, this is not a problem. Despite the passions roused by breathtaking City pay scales, the market will almost certainly prove self-correcting: today's shortage of market-making skills on the Stock Exchange will disappear when deregulation after Big Bang sorts out the sheep from the goats, so causing pay to fall very sharply.

Excessive reliance

In industry checks and balances are cruder or non-existent. There is no standard way of agreeing executive pay, though best practice dictates that non-executive directors should play a key role. In the case of share incentives, the Stock Exchange listing requirements demand that shareholders should be informed and given the opportunity to vote.

It seems curious that shareholder interest should be thus confined to the narrow issue of equity dilution, given the importance of management pay and performance for investment returns. There should also be a wider concern that management's demands for more pay to reflect increased responsibility arising from takeovers encourages excessive reliance on takeover activity to sort out Britain's industrial problems.

There is a case here for the institutions such as insurance companies and pension funds to become more closely involved in setting, or at the very least questioning, top management pay in the companies of which they are the legal owners. To do the job properly they will need better figures — for example, of value added and profits per manager — in annual reports.

Chile: no exit from extremism

TRAUMATIC events can have a delayed action effect which is often more powerful than the event itself. This perhaps is a starting point for understanding what is going on in Chile.

Although the initial shock of the abortive assassination attempt on the life of General Augusto Pinochet, the military leader, has worn off, it has given way to a deep unease over the future course of a country sliding towards serious political instability.

General Pinochet's supporters have been confronted with a reality they have long ignored: the fragility of a political system which revolves around one man who could fall to an assassin's bullet. The dictator's enemies have become even more deeply divided between those who favour a negotiated transfer of power and those who believe armed violence is the best weapon.

The political situation is thus dangerously polarised, with the moderate opposition looking more and more like a casualty of the events of September 7. Wedged impotently between the General's backers, who have little option but to maintain him in power, and the Left (led by the Communist Party) which feels that the momentum of events is moving in its favour, moderate political leaders find themselves with little room for manoeuvre.

As so often in Latin America, the most crucial factor in the near term could be an external one. The Reagan Administration is known to be considering vetoing an expected $250m World Bank structural adjustment loan for Chile to mark its disapproval of a recent ugly turn of events on the human rights front: there are ominous signs of a resurgence of state-sponsored terrorism in the wake of the re-imposition of a state of siege. The Administration is under pressure at home to get tough with Chile, to demonstrate that it opposes not just what the Americans see as the dictatorship of the Left in Nicaragua, but also the dictatorship of the Right.

Such a veto would, at the very least, hamper Chile's efforts to secure new loans from the commercial banks: the World Bank currently acts as guarantor of new bank lending to Chile, which might be suspended in the event of a rupture in relations.

General Pinochet: position has been strengthened in the short term

At worst, it could prompt General Pinochet to declare a moratorium on repayments of Chile's $20bn foreign debt. Those who know the General well believe that, if pushed to the wall, he would favour such an option.

Part of Washington's problem in re-assessing its policy towards Chile will be to sort out fact from fiction in the events which followed the assassination attempt.

The Government asserts that the murder of four men with Left-wing connections within 24 hours of the September 7 attack was the result of a settling of accounts among the Left. But most Chileans have seen the sinister hand of Right-wing death squads in the killings—squads which appear to have full access to the files of the security services.

Many political activists have gone underground or left the country, especially those with Communist Party links—the underground arm of the Chilean Communist Party (CCP), the Manuel Rodriguez Patriotic Front, has claimed responsibility for the Pinochet attack.

Private conversations in Santiago in the wake of the ambush have centred on two questions: what would have happened if the attempt had succeeded? The answer: an ugly witch hunt of the Left, conducted in the ensuing vacuum of power. To the second question—what happens next?—the answers are more opaque and confused.

In the short term General Pinochet's position has been strengthened. The armed forces have been obliged to rally fully behind him, and his civilian support, which is estimated to represent between 15 and 20 per cent of the electorate, has been revitalised, says Mr Genaro Arriagada, a leading political scientist.

The general overruled the objections of his fellow members of the ruling military junta, who had been reluctant to endorse the state of siege, and they now appear fully subordinate to him. He may take advantage of this situation to bring into the ruling body persons of unquestioned loyalty. "Pinochet is a very stubborn man and now he is even less inclined to listen to advice about his future. Everything indicates he is more determined than ever to stay on as long as he can," commented one well placed Chilean.

Prior to the assassination attempt there were growing divisions within the military hierarchy over the 70-year-old general's recent constitutional moves to claim a life tenancy of power. But he has been able to use the threat on his life to argue that the only alternative to his continued rule would be political chaos.

Despite immediate signs that the military has rallied round, there are reliably understood to be several influential senior members of the military, including two regional commanders, who are deeply unhappy with the General's rule. But although they believe that he is dangerously polarising the country, the present atmosphere makes a challenge to his leadership extremely difficult. Constitutionally, his current term expires in 1989.

The moderate opposition — those parties from the Right through to the soft Left who subscribed last year to a platform for a negotiated transition to democracy, the so-called "National Accord" — now believes more than ever that only pressure from within the military will budge General Pinochet. "The moderate opposition has been completely marginalised in the aftermath of September 7," says Mr Arriagada. "Pinochet now has the initiative."

The latent differences between the Communists and the main moderate opposition group, the Christian Democrat Party — the two joined together earlier this year in a movement known as the Civic Assembly, dedicated to peaceful protest — have come out into the open. Under pressure from the US and West Germany, which provide important financial backing to the Christian Democrats, the party formally distanced itself from the Communists at the end of September.

General Pinochet may now feel he has even greater licence to persecute the Communist Party, which has the support of at least 20 per cent of the electorate, and which is in turn expected to be driven harder towards supporting armed resistance.

It is in this context that external pressure comes into play. On its own admission the US Administration has one possible weapon to influence the régime—economic sanctions in the form of withholding approval of a forthcoming World Bank loan for $250m, due to be voted on this month or next. Mr Elliot Abrams, Assistant US Secretary of State for inter-American affairs, warned in July that his Government might use this weapon if the human rights situation did not improve. With the reinstatement of the state of seige, the situation has deteriorated, provoking concern not just from the US but also European Governments.

Since the world bank last year agreed to act as guarantor of new commercial bank lending to Chile, a US veto and that of other European Governments could seriously affect the country's ability to raise the $250m to $300m in fresh money which it is likely to seek from them in 1987.

Santiago is understood to be reviewing possible responses to a veto: reduce spending and rely on reserves and a continued improvement of exports, or announce a moritorium on debt payments. In domestic political terms the first course carries more risks, especially since General Pinochet is relying on a broad based economic recovery, and more public spending next year, to increase the base of his support.

This leaves the US faced with a dilemma: having raised the veto threat publicly, Washington risks the accusation that it is soft on Pinochet if it backs down without being able to claim a major improvement in human rights. If the veto is used, it could encourage Chile —the only Latin American nation which has followed the philosophy of the International Monetary Fund to the letter— to default.

Chileans themselves realise that this may be the last chance for the foreseeable future to bring external pressure to bear on a man whom many believe is pushing the country towards chaos. The most intriguing analysis being advanced in Santiago is that a US loan veto could provide dissident generals with the excuse some of them are looking for—to call the General to order.

Robert Graham

COMMUNIST COCKTAIL IN THE SHANTY TOWNS

ON THE southern edge of Santiago, a large unfinished concrete structure stands next to a municipal rubbish tip. The black squares of its glassless windows stare blankly out over a nearby working-class neighbourhood, a memorial for all the 36,000 people that live there.

The building was to have been a hospital. Work on it stopped after the 1973 coup that overthrew the Marxist-inspired government of President Salvador Allende. It is now used by graffiti artists, drug addicts and lustful lovers.

The neighbourhood, known as "La Victoria" (The Victory), has become a centre for left-wing agitation against the military régime. Elaborate wall paintings, mostly done by the Communist Party youth, abound. One gives instructions to the local populace on how to make Molotov cocktails and homemade bombs. Nearly all contain a dove of peace, an upraised fist and the barrel of an automatic rifle poking up surreptitiously over a few shoulders. La Victoria is a vivid example of how the poor neighbourhoods that ring the capital are being organised to confront the Government.

If guerrilla war comes to pass in Chile, as many fear it may, it will be led by what is widely recognised as the strongest Communist party in Latin America, outside Cuba.

The Chilean Communist Party (CCP), after decades of commitment to peaceful change, decided in 1980 to adopt "armed struggle" as a complement to its political work to oust the military rulers.

The CCP, like its European counterparts, favours free elections as the means of attaining power or sharing it in a coalition government. Its leader, Mr Luis Cordalvan, now exiled in Moscow, wrote in a Soviet magazine late last year: "It would be ingenuous, under a fierce dictatorship which is trying to perpetuate itself by the force of arms, to think of favouring an exclusively pacifist means of struggle."

The CCP's guerrilla organisation, the "FPMR" (Manuel Rodriguez Patriotic Front), founded three years ago, is now widely believed to pose a serious threat to the Government.

The FPMR's emphasis on economic sabotage is paralleled by propaganda work within the armed forces. Bulletins printed on clandestine presses are mailed regularly to officers and NCOs outlining its objectives—essentially the removal of Pinochet, followed by free elections.

The organisational work of the Communist Party in poor communities is well advanced and is reminiscent of the neighbourhood defence committees established by the Sandinistas in Nicaragua which helped overthrow the Somoza dictatorship in 1979.

Soup kitchens, kindergartens and child minding groups, first aid and health care figure among the more peaceable activities.

Political leaders are whisked to safe houses when stones rattle across the roofs—the signal that the police or army has entered the neighbourhood.

The more adventurous youths involve themselves in slogan painting, barricade building and stone throwing when truckloads of army or police arrive. Other youths go on Robin Hood-style missions into the city to steal trucks full of food or to ransack a supermarket, distributing the booty among the poor. Local police rarely venture beyond the 10 ft-high cement wall surrounding the neighbourhood police station.

Western diplomats in Santiago believe the Communists could gain around 20 per cent of the vote in free elections. In coalition with the Centre and Centre Left parties they could potentially form a socialist-oriented majority government.

The political initiative against the dictatorship appears to be moving rapidly in the Communists' favour. According to Mr Orlando Saenz, a financial consultant and businessman who was a key figure behind the 1973 coup, but resigned in 1974 in protest at human rights violations and at the new Government's economic policy, Chile will go the way of El Salvador. "The Right is unifying around Pinochet and the rest will move to the Left and the Communists as being the only people who are prepared to hit back against the régime."

The question remains: are the Right and Centre prepared to allow the Left to fight for power through the ballot box—as they successfully did in 1970 with the election of Salvador Allende — or will they be forced to use the barrel of a gun?

Tim Coone

Men and Matters

Baird's eye view

Few will envy Aberdonian D. Euan Baird as he settles in to the task of reversing a precipitous profits decline at oil services giant, Schlumberger, in his new multi-role as chairman, president and chief executive officer.

Baird, a Cambridge man with a vigorously hands-on approach to management, inherits a company in the grip of the general oil industry recession. Second-quarter profits slumped 74 per cent compared with the previous year and many analysts expect the company to lose money in the second half.

During his 28 years with the group, which he joined as a field engineer, Baird has been most closely associated with its wireline operations, a sector of the oil services business which Schlumberger has traditionally dominated. Wireline and testing revenues have also dropped sharply in step with the decline in the number of active oil rigs.

Though Baird will be the first non-Frenchman ever to take the Schlumberger chair, his appointment has prompted speculation that the powerful Schlumberger family may be bidding to regain a modicum of the control which it exerted prior to the 20-year tenure as chairman of flamboyant former Resistance fighter, Jean Riboud.

In 1975, Riboud fell out with Schlumberger heir and company president, Jerome Seydoux — a struggle which resulted in Seydoux's departure from from the company. Then, in a gesture reminiscent of a soap opera screenplay, Riboud rose from his death-bed in September last year to pick former French bureaucrat, Michel Vaillaud, as his successor.

This followed the apparent blocking by the family of Riboud's plan to put together a poison-pill takeover defence.

Now observers see Baird's appointment as the formal ending of the Riboud era and the probable precursor of some tough retrenching measures.

Analysts expect a sizeable

"What does one have to do to get service here—contest Kilroy Silk's seat?"

asset write-down in the company's fourth quarter, as well as the unloading of the burdensome (though improving) Fairchild semiconductor business. Some also envisage a stock buyback programme to bolster the company's share price. A year ago, Vaillaud was still talking in terms of preserving Schlumberger's tidy $4bn cash hoard to gear up quickly should the oil market improve.

Sparking a turnaround will be a tall order in a climate of $15 a barrel oil price. But if Baird brings to the task the same level of tenacity which, colleagues say, he deploys on the squash court, his chances of success should not be underrated.

Sales pitch

National Westminster Bank has hitched its fortunes to those of the New York Mets baseball team by pitching what could become the lowest interest rate in town on consumer loans.

For every Mets victory in the championship play-offs and world series, NatWest will lower the rate by one-quarter of a percentage point. If the Mets go all the way, the rate on a loan for a car, for example, would fall to 7.9 per cent from 9.9 per cent.

Bank branches in the metropolitan area are experiencing "eight to ten times" the usual level of loan inquiries, says Doug O'Brien, NatWest USA's executive vice-president.

He reckons the bank will still make money on the loans, but more important are "cross sales of any other retail product we offer."

Cars might be slow movers, though. Last month, domestic manufacturers were offering interest rates between nil and 2.9 per cent.

Albatross shot

Anthony Taunton Fenton was one of the first to respond to the advertised opportunities for entrepreneurs in London's docklands.

Fenton returned to England from France in 1982 to set up Albatross Industries, teaching water sports and selling equipment at Millwall Dock. After a slow start, the business has just got into profit, and is now the base for a water sports club with 800 members in the City and local community.

The amenities it provides have been used to help sell the advantages of the docklands area to other companies.

But London Docklands Development Corporation has now decided that a £500,000 water sports centre will be built for the local community, and has given Fenton notice to quit.

Fenton says he faces ruin. "I have put over £200,000 into the business," he says. "If I have to leave the site, I shall lose everything."

The LDDC says that it has informed Fenton of other possible opportunities elsewhere, and adds "there could be an opportunity for him to proceed within the new sports centre" where there might be scope "for a sensitive commercial operator."

But it is not promising anything. "He has a short-term tenancy which does not quality him for relocation."

Fenton claims that after his original three-year lease on another site expired, he was given a short-term tenancy on his present site because of uncertainties about the Port of London Authority's interests there. "But I was strongly encouraged to establish Albatross here."

He says that his fees have been modest enough to attract many members of the local community which has been campaigning for its own water sports centre.

'I never expected the LDDC to try to shoot this Albatross and ruin me."

Tail piece

It is not money that makes the bureaucracy go round in west Java—it's mice.

In a book on the ubiquitous rodents (Eeeek!, Hodder & Stoughton) published today, Lailan Young says that as part of a local drive to eliminate the crop-eating pests, it is now necessary to slip local officials a few dead mice if you want anything done.

Five mice are required for a pass or temporary identity card and 10 mice for a marriage permit; while a divorce permit or permission to hold a feast at home requires 25 dead mice.

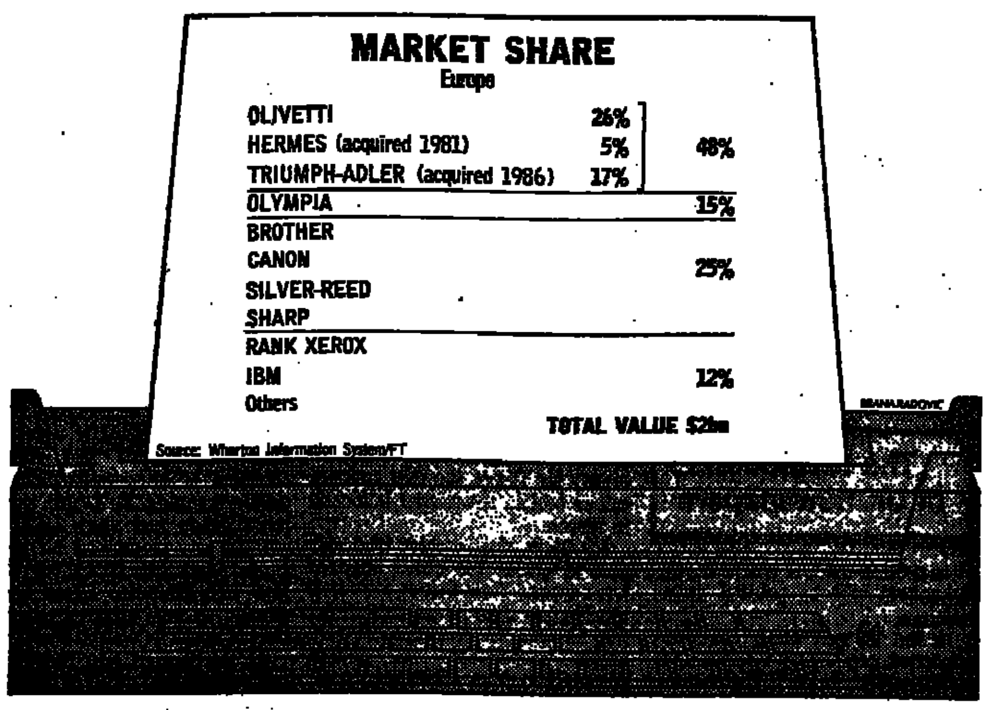
With supermice — according to environmental health officers —now outnumbering humans by four to one in London, Young asks which London borough will be the first to accept dead mice in lieu of rates?

Observer

Europe's typewriter industry

Olivetti struggles to hold the line

By Jane Rippeteau



NOW THAT the Italian office automation company Olivetti has completed its takeover from Volkswagen of West Germany's Triumph-Adler, it is consolidating its place at the top of a somewhat prosaic but sizeable heap: the $2bn European market for electronic typewriters.

With nearly half of a market that it has fought hard to protect, Olivetti appears to be succeeding where European companies in other businesses — from motorcycles to photocopiers — have failed; it is staving off an aggressive onslaught of Japanese competition. Japan's Brother, Canon, Silver-Reed, Sharp and others are checked at present at about a quarter share of the market's revenues.

For the Europeans, resisting Japan has been a two-pronged affair, involving more efficient manufacturing and marketing on the one hand and, on the other, relentless pressure for EEC tariffs.

The industry's trouble began about 1980, after Olivetti and another European supplier, Olympia of West Germany, introduced electronic typewriters to the European market following their US debut. The electronic machines were not only more versatile but, inside them, dozens of moving parts were replaced with just a few electronic ones.

"It was tailor-made for Japanese manufacture, and they took it up fast," says one executive. "Teutonic expertise in metallurgy and mechanical engineering was out."

Bursting into the low end of the market, and later moving up to more sophisticated machines, the Japanese used their more efficient production techniques and low-cost sourcing of electronic components to advantage. "They could add value to products at very low cost," says Mr Paul Turner, marketing manager for Office International, a UK office equipment company with 50 retail outlets.

Product innovations and aggressive pricing (some retailers recall drops of 20 per cent a year in certain lines) attracted consumers. Within four to five years, Japanese imports accounted for about a third of units sold, amounting to around a quarter of revenues, according to market estimates by Keith Wharton Information Systems, and others. The Japanese "went for market share and worried about profitability later," says Mr Turner of Office International.

The Europeans were angry because their profitability had been eroded just as they faced the costs of automating production and developing products. Joined by Triumph-Adler, Olympia and Hermes Precisa of Switzerland, which Olivetti bought in 1981, Olivetti spearheaded the tariffs drive.

These were imposed, on a sizeable scale, just before Christmas 1984 on electronic typewriters brought into the EEC by over half-a-dozen Japanese producers. The Japanese were judged guilty of "dumping," that is, charging less in the EEC than at home for the same product (and using the inflated domestic revenue to subsidise overseas sales). The Japanese have steadfastly denied the charge and are suing the European Commission over the ruling.

The duty "had a staggering effect on our business," recalls Mr James Cattini, whose Manchester-based unit of Japan's Brother Industries was

The Europeans were angry because their profitability had been eroded

assessed a 44 per cent levy, later halved. He says his company raised prices as much as 20 per cent to help cover the duty. "It stopped us in our tracks," he says.

But the duty also inspired Brother to go full tilt on what had been a tentative plan to build a manufacturing plant at Wrexham, in Wales. Today, that factory turns out Brother's entire line of machines for duty-free EEC sale, according to Mr Cattini, who is general manager of the company's Office Equipment Division.

"Now," he says, "we shall recover."

Indeed, the most pronounced effect of the duties has been a major shift of production to the Europeans' backyards. By last spring, Canon had moved production of all 11 of its typewriter models for Europe to a plant in France. Silver-Reed has contracted an initial slice of product assembly to BSR of Birmingham. And Panasonic will open a UK plant this autumn.

The shift of production to Europe is expected to make an impact on prices, but the exact effect is not clear. Since duties were imposed, prices have stabilised but have not, on the whole, increased, according to retailers and executives. Mr Henry Roy Cross, operations director at Silver-Reed International, says that although the duties "affected our profits very considerably, we absorbed most and haven't raised prices to cover (them)."

Now, however, the industry faces a worrying prospect of over-capacity brought about by the new plant construction. "There are two machines chasing every one purchaser," says Mr Wharton of Wharton Information. Mr Yasuyuki Matsuda, general manager for office products at Canon UK, says that Canon's electronic typewriter production for Europe — now at the new French plant — accounts for a full quarter of the company's total (except for a duty-exempt "personal" model shipped from Japan).

All this additional capacity seems certain to force prices down and crush margins further; that is unless Japanese producers pass on their higher European production costs.

This is a real difficulty, says Mr Cattini of Brother. Although he has found 27 local suppliers for his Wrexham plant, including manufacturers of electronic circuit boards in South Wales and Yorkshire, he says it is "hard to get British manufacturers geared up to producing the quality of parts we need, and on time.

"In our hometown," he adds, "if you order a part for 10 o'clock on Tuesday, then at 10 o'clock Tuesday morning it arrives. It's not easy to teach the British to behave that way." Such limitations hamper Japan's "just-in-time manufacturing sequence in which parts are delivered to a plant virtually as they are needed on an assembly line, rather than being held in costly inventories.

At the same time, demand for electronic typewriters is, itself, expected to ebb gradually toward 1990. The market is deceptively strong now, according to Mr Wharton.

The advent of low-cost personal computers and word-processing systems is expected to siphon off customers, although some product categories are blurring as high-end electronic typewriters include word processing capabilities. The trend today is towards more features at last year's prices, say retailers. A high-end £700 machine today may have a 40-character display, 20,000-character memory and a computer hook-up that allows the typewriter to function as a printer attachment to a computer.

It is against this background that Olivetti is attempting to protect a similar that, with Triumph-Adler, will account for one-fifth of its approximately $4.5bn in combined annual turnover.

The Triumph acquisition itself is expected to shore up Olivetti's position. Olivetti intends to unify the two companies' components purchasing and research and development, according to Dr Bruno Lamborghini, director of economic studies and planning at Olivetti. Triumph's recent profitability troubles were mainly in its computer operations; in typewriters, Olivetti will inherit automated

Low-cost word processors are expected to siphon off customers

production, strong products and good distribution—which it says it will continue to operate independently.

But Olivetti has not lowered its guard on the legal front. Suspicious that the new Japanese plants constitute little more than assembly of low-cost important parts, Olivetti is pushing the European Commission to rule that local content of typewriters must be at least 40 to 50 per cent. The company joined a similar complaint against Japanese makers of photocopiers.

"We are not convinced the plants are real manufacture," says Dr Lamborghini. Producers, he says, "are importing semi-assembled parts." Dr Lamborghini's concern is that such assembly operations allow Japanese producers to avoid duties while still benefiting from low-cost overseas production of components. "We have not seen real price increases on the scale of the level of the duties," he adds.

For other companies, the fight continues to be fierce. Olympia was especially hard hit by the competition of recent years, and although the company closed plants and consolidated production at Wilhemshaven, it did not automate to the same degree as its competitors, according to industry specialists. The company, however, says its overall production time has been "sharply reduced."

With losses mounting at Olympia, its parent AEG electricals group was bought last year by Daimler-Benz. Says one critic, who asked not to be named: Olympia is "not automated and has no coherent product strategy. They did too little too late." In the company's favour, he adds, is a "strong dealer network" that has helped the company retain about 15 per cent of the market.

It is abundantly clear that tariffs alone will not hold back the Japanese. But the company is convinced that the weapon is worthy: "We had a strong decline," says Dr Lamborghini. "The duties at least partially stopped it. Just in time."

Lombard

How we should index the BBC

By Samuel Brittan

THE BBC, having been threatened with Ghengis Khan, has escaped with a Robin Leigh Pemberton instead. It must now go back to the serious business of preparing its submission for the Cabinet Committee reviewing the future of broadcasting in the light of the Peacock Report.

That report recommended that, until direct viewer subscription is possible—say for the next 10 years—the licence fee should continue and be indexed to the Retail Price Index.

The recommendation was intended to help the BBC, in the first place by a systematic and agreed formula to provide for its finance and avoid the sudden unpopular leaps in the licence fee which now take place every three years or so.

Another equally important reason was "to bring a measure of insulation of the BBC from political influence." Although one wakes up to outrageous examples of political bias, a liberal democrat must accept that attempted cures—other than by competition in the long run—would be worse than the *disease*.

If this seems hard for Margaret Thatcher or Norman Tebbit to accept, let them reflect that they might also be saving the BBC from political influence exerted by the likes of Gerald Kaufman.

In any case, Peacock remarked: "The need to renegotiate the licence fee does at least occasionally influence the Corporation both in its general policies and its attitude to particular programme suggestions. Indexation will not eliminate the paymaster relationship, but will put it more at arm's length."

Obligations

Unfortunately the BBC is looking this gift horse in the mouth and grumbling that indexation to the RPI is inadequate, because broadcasting costs rise faster.

The RPI is simply the best known general index of inflation. The key principle, on which there can be no retreat, is that the licence fee should be linked to general inflation rather than any index of broadcasting or BBC costs. The latter, Peacock remarked, would be an incentive "to inefficiency, waste and lax pay settlements." With indexation of the RPI, the BBC would be able to retain the benefits of any cost savings, which it could not under any cost plus formula.

Peacock was of course also concerned "to put some pressure on the BBC to exploit its revenue earning potential more forcefully and to think more carefully before embarking on peripheral activities far removed from its core obligations." But this pressure is being imposed in the least dictatorial way possible, leaving the BBC to decide how to cut its coat according to its cloth.

Suppose, however, that the BBC can persuade governments its costs must inevitably rise faster than the general inflation rate and that it is right for some of these costs to be financed?

Formula

There is a formula used for such occasions in public expenditure control. This is known as the Relative Price Effect (RPE). If defence costs are expected to rise by 2 per cent more than inflation the Defence Department will try to persuade the Cabinet to interpret constant real expenditure to mean that defence spending should rise by the general rate of inflation, plus 2 per cent. In my time on Peacock I tried desperately both to explain the RPE to the Corporation and to obtain an estimate for it in broadcasting, but got nowhere.

There are sectors such as British Telecom where the formula is RPI minus 3 per cent. It is of course easier to reduce prices in telecommunications than in the labour intensive activities such as broadcasting, although the discrepancy is not as large as the union restrictive practices would lead one to suppose.

The point, however, is that a formula linked to the general inflation rate, whether with a plus, minus or a zero, provides some incentive to cost cutting, some built in political insulation and some automatic financial provision. All of these are lacking if the BBC just haggles with ministers on periodic increases in the licence fee.

Letters to the Editor

Debtors and small firms

From the Chairman, George Emmott (Pawsons)

Sir,—I congratulate William Dawkins on the well-balanced open letter to Lord Young (October 1).

We are a small company with current turnover running at around £0.95m. We employ 46 people including three working directors who are the shareholders.

I have noticed no lightening of the burden of red tape in recent years, but I do agree with William Dawkins in sympathising with the problems facing Lord Young. For an established business of our size the red tape referred to is not a particularly pressing problem. In fact we have been agreeably surprised with the lack of red tape associated with the obtaining of grants for innovation and feasibility projects through the Department of Trade and Industry. The Industrial Development Act which authorised such grants cannot be put to the credit side of Lord Young since it came into force in 1982.

May I point to one particular problem which takes more and more executive time, and that is the control of debtors and maintaining a positive cash flow in an expanding business. Years ago the term "cash flow" did not exist and directors assumed that the invoices they sent out would be paid promptly as they themselves paid the invoices they received. Small firms have less muscle than the larger firms in getting in cash, while in fact many larger firms could not exist without the support from smaller firms in supplying components and sub-assemblies. Several hours a week are taken up by executive directors chasing overdue debtors. I am not suggesting that this is a matter which would lend itself to legislation but it is a very real hindrance to small firms expansion, and worthy of discussion at Whitehall and in the CBI.

The second serious problem is corporation tax paid by the smaller firms, which was reduced only by 1 percentage point in the last Budget. The revenue obtained from small firms' corporation tax is probably quite small, yet for a firm to have to find up to around £20,000 in cash six months after the end of the financial year, before taking into account deferred taxation, puts the brakes on investment in new plant. This second point, at least, is one which should be taken up vigorously by Lord Young with the Chancellor. This is exacerbated by the abolition of initial capital allowances from April 1, 1986.

Smaller firms should be trusted to plough back profits into their businesses which will create jobs and improve the health of industry more quickly than any other single action.

F. V. Mills,
Wadsworth Mill, Oxenhope, Keighley, W. Yorks.

Consumers smash through M-limits

From Mr L. Lord

Sir, — I am the branch manager of a clearing bank. In 25 years I have never seen so many people using their mortgages to repay consumer debts, to re-finance their businesses and to spend on holidays and new cars etc. The pundits call it "leakage." A "flood" would be more appropriate. The real rub, of course, is that most of the new money attracts Miras tax relief.

Is it irresponsible to suggest that the overheated house mortgage market has caused our money supply figures to smash through the Treasury limits? Has this in turn lead to the recent consumer spending boom? It seems like it to me.

Do the Treasury mandarins understand what's happening? Perhaps their political masters are cynically promoting a pre-election consumer boom. Frankly, it is naive of the Bank of England to rely on an out-of-date directive to lenders that they should restrict first mortgages to house purchases and home improvements.

The borrowers have been getting round this for years. They move house and take up more money than is really required. Builders supply inflated invoices and receipts. Even patios and extensions mysteriously develop wheels and an engine! Above all, the lending institutions seem to turn a blind eye in the rush to meet their sales targets. The completion of a Miras Form 70 is certainly no deterrent to a consuming borrower.

Competition and profitability are the driving forces. Much of the new business is transacted by post. Perhaps the personal contact has been lost. A detailed knowledge of the borrowers' intentions and background is no longer important. There is no realistic check on the destiny of the funds. Formula lending to a percentage of the valuation is now the norm.

Surely, the blame must lie with the creators of the market conditions, rather than the participants. A reduction in the Miras tax relief might be the first logical step. If capital gains tax was applied to houses, it should reduce them to being a commodity rather than an investment. The Government could also enhance the tax relief on business borrowing to stimulate industry and jobs. My argument is that the rampant demand for mortgages has been created artificially for political reasons and it is unfair to criticise the lenders, who are merely responding to the demand. The result of all this activity is that house prices are spiralling upwards, while lending to businesses receives less attention. Job mobility has been a noticeable casualty. It is about time that the Government took these trends into account.

Finally, on a serious note, can the academics tell us whether there is any correlation between the increase in total mortgage lending, the rise in the money supply, the increase in our consumer spending and the net rise in house selling prices? I suspect that the rise in prices is only a fraction of the increase in mortgage lending. If the "leakage" into consumer spending has been as low as made out and, if house prices have risen *pro rata* with increased mortgage lending, then surely we should have seen a phenomenal boom in home improvements and DIY? Perhaps the Treasury can tell us how many extensions have been built! Pardon my facetiousness.

L. Lord,
Esher House, Chaucer Road, Bath.

Volume car markets

From Mr P. Uden

Sir,—The Austin Rover crisis is the result of a low market share, so it must be emphasised to all those who are able to influence the future structure of the UK motor industry that a volume car producer must have volume.

Viable volume can be quantified as the minimum market penetration a model-range must achieve for the maximum that the market will pay for the individual models in that range. For AR this equation failed, apparently because it charged too much for a range of products with low perceived values. Graham Day's reported analysis that quality improvements at the manufacturing and components stage will re-establish the perceived value of the AR range is correct, but it must be doubtful whether this fix will regain the lost volume. The rest of Day's fix which will probably include a shedding of capacity could have a disastrous effect on the entire UK automotive industry unless handled with foresight.

If Honda obtains a volume-car assembly base in the UK it will, along with Nissan, take a fatal chunk out of the volume car sector for ever. Between them the Japanesse only need to achieve an initial penetration of about 12 per cent in addition to their import penetration, then, assuming AR holds on to about 9 per cent of the market, this will unhinge the viability of Britain's original volume builders. This is based on the assumption that imports remain around 50 per cent so that the volume component of the "other half" of the market cannot support Ford, GM, PSA, Nissan and Honda causing all to wither unless subsidised by their parent companies abroad.

If a company subsidises a market it is usually for political rather than economic reasons. Therefore we must assume that the economically shrewd Japanese are looking for a long-term political base in Europe. A base where a government will be forced, because of employment priorities, to support Japanese technologies and Japanese aims in the EEC. Surveying their manufacturing bases elsewhere Japanese technologies and aims are unlikely to be in the interest of Britain's component or design expertise in the same long-term sense as say those of Ford who have a massive cultural and economic investment in Britain.

We must have fewer home volume producers, probably two, to make it work. AR knows this, GM knows this, Ford knows this. Does the Government?

Patrick Uden,
8 Kendal Steps, St Georges Fields, W2.

Equal pensions are actuarially sound

From Mr J. Duffield.

Sir,—Mecca Leisure is not—fortunately—going against two centuries of actuarial practice by providing equal pensions for equal contribution from either sex in its new pension scheme. Although the employees will make equal contributions, Mecca is paying the extra cost of providing the same benefits for women. Sound actuarial principles are preserved, and the fact that Mecca is providing subsidies only for its female employees is a matter between the company and its workforce, although one might have thought that the Equal Opportunities Commission would be interested in the case.

According to the tables produced by the Institute of Actuaries, female mortality rates are about 60-70 per cent of male rates for the same age. This is about the same as the difference between non-smoker and smoker mortality rates, although the statistical basis for the latter difference is much less well-founded.

J. Duffield,
80 Russell Road, Buckhurst Hill, Essex.

FINANCIAL TIMES
Monday October 6 1986

Roderick Oram
on Wall Street

Predators close in on USX

STANDING just under 15 ft tall and 85 ft long, Diplodocus Carnegiei is a memorial of sorts to the "Steel King" of America whose money brought the fossil to light.

Evolution was unkind to Dippy, as the staff of the Carnegie Institute in Pittsburgh affectionately call their prized dinosaur. Harried to death by beasts more nimble of mind and body, it lay undisturbed until an expedition funded by Andrew Carnegie unearthed it in the 1890s.

Standing just over 5 ft tall, Scottish-born Carnegie, for whom the gift of 7,689 church organs was small change, could afford to be philanthropic. He was making more steel than the total British industry when he sold out in 1901 to J. Pierpont Morgan for $485m.

Morgan didn't haggle. He had to have Pittsburgh-based Carnegie Steel to create United States Steel Corporation, a $1bn trust cornering 65 per cent of the domestic market.

Seventy-five years later, severely weakened by the now chronic problems of the steel industry, the company was running the risk of going under. It has responded by spending $9bn over the past four years to transmute itself into an energy-dominated group. Steel, now the poor relation good for only 30 per cent of sales and large losses, was dropped from the name when the company rechristened itself USX three months ago.

But the survival strategy has boomeranged. USX could run up $1bn of losses this year because of rock-bottom energy prices and the aftermath of a steel strike - its first since 1959 - which is already two months old.

Predators began closing in two months ago, attracted by assets valued at about $30 to $40 a share: the USX share price has risen 75 per cent to over $26 but it remains close to 1982 levels since when industrial shares generally have more than doubled.

With almost every big arbitrageur rumoured to be buying, trading has often been frantic. About $2bn of shares, equal to a third of USX's common stock, have changed hands in the past three weeks.

Feared raider names such as T. Boone Pickens, Irwin Jacobs and Robert Holmes à Court have faded away in recent days leaving speculation swirling around Carl Icahn. A man who hangs framed annual reports of his target companies, Icahn has said nothing yet.

Left to shadow box, USX has hastily thrown up the first elements of a classic defence. Investment bankers are making a 30-day restructuring study which the market believes will lead to some disposals and possibly the spinning off of oil and gas assets into a master partnership more attractive to shareholders. It is rumoured to have arranged a jumbo line of credit.

Tight-lipped USX executives, still headquartered in Carnegie's Pittsburgh, refuse all comment lest they be accused of running up the share price.

If Icahn is after them, they have a lot to fear. His speeches are thick with references to Robin Hood and making managements answerable to shareholders. Battle turns him on, he said last year.

It seemed earlier this year, however, that his most recent victory might have been his undoing. Rather than raid TWA and run, he had to stay to manage the ailing airline to restore value to his 52 per cent stake.

He has been spectacularly successful. TWA is heading for a "substantial" fourth-quarter profit generated by deep concessions from unions, sale and lease back of aircraft, cost cutting and an upturn in traffic. The airline will have $1bn of cash by year end, Icahn has told analysts.

Shareholders and bankers will be happy that TWA's share price has more than doubled this year, but passengers are less enthusiastic and since spring the independent federation of flight attendants has been picketing Icahn's 38-acre estate north of Manhattan when he is in weekend residence.

Success against Icahn is relative as Phillips Petroleum knows. The Oklahoma-based oil major won the distinction of fighting off first Pickens and then Icahn between December, 1984 and March, 1985, with only a Christmas breather in between.

All three parties got what they wanted: the two raiders profits through higher shares prices and the company its independence. But in the process Phillips more than doubled its debt to $8.6bn to buy back half its shares and reimburse Icahn close to $25m in expenses.

Although asset disposals have helped whittle the debt down to $6bn, the company is still too strapped for cash to maximise its potential.

Independent on a tide of change

BY RAYMOND SNODDY IN LONDON

"THE INDEPENDENT. It is. Are you?" The terse question on television commercials and roadside posters in Britain announces the arrival of what is claimed to be the first new quality daily newspaper in the UK for 131 years.

Tonight the presses will roll and the Independent will begin its challenge to the other quality British dailies, the Times, the Guardian, the Financial Times and the Daily Telegraph, for the young affluent readers valued by advertisers.

"I'm ready to go. Let's get on with it," says Mr Andreas Whittam Smith, founder and editor of the new broadsheet paper who was city editor of the Daily Telegraph until December.

He is the editor of a newspaper which until recently would have been inconceivable in Britain, where for years the print unions held new computer technology at bay.

The Independent is a paper without a proprietor, owned by a wide range of financial institutions which put up £18m to back Mr Whittam Smith and two colleagues from the Daily Telegraph.

The journalists, who account for more than half the Independent's staff of 355, type stories directly into computer terminals in a fully electronic newsroom where pages are made up on screen. They are then zipped down landlines to four

The revolution in UK newspapers

sites around the UK where the Independent will be printed under contract.

In the US and many European countries, use of such technology is commonplace. In the British national newspaper industry it is a revolution.

The arrival of the Independent is one of the most dramatic manifestations of the tide of change that is sweeping Britain's national newspapers affecting every title and transforming at the same time the cost structures of newspapers and the power relationships within them.

The year 1986 has turned into the greatest year of change for British national newspapers this century.

The roots of the revolution lie far from Fleet Street, the traditional heart of the national newspaper industry. In 1983, an unknown publisher of free newspapers in Warrington in the north of England, Mr Eddie Shah, challenged the main newspaper production union, the National Graphical Association, and won.

The television cameras recording confrontations between pickets and police at Warrington turned Mr Shah into a national figure. He capitalised on his fame to raise the money for Today, the new national colour tabloid newspaper launched in March.

Mr Shah, the outsider who was able to ignore the union Maginot lines around Fleet Street, promised much more than he ever produced but he was an essential catalyst. Other proprietors who feared competition from a newspaper apparently about to be produced at a fraction of the traditional cost seized the opportunity.

By the turn of the year, Mr Robert Maxwell, the larger-than-life Socialist publisher of the Daily Mirror, was able to boast he had won 2,100 redundancies and early retirements by negotiation.

It was more than a month later when Mr Rupert Murdoch changed Fleet Street forever by sacking 5,500 print workers and moving his four national newspaper titles over a single weekend to a well-prepared new printing plant at Wapping in London's docklands.

Eight months later, the printers are still outside the heavily fortified gates of Wapping and the Times, Sunday Times, Sun and News of the World are coming out like clockwork. A £58m ($82.9m) compensation offer now being considered by the unions is about the sum Mr Murdoch will save every year because of the move.

Since then, virtually every national newspaper has already achieved or announced plans for cuts in manning. By Easter, the Express group had shed 2,500 jobs without any production being disrupted and the Guardian, Daily Mail and Financial Times are all moving to new printing plants in the old docks or nearby.

At the end of last month, the most traditional of all Britain's national newspapers, the Daily Telegraph, began production at a new £75m web offset printing plant, also in docklands.

The deal negotiated with the unions by a new, young Telegraph management team is the best indication of how much the industry has changed since Wapping.

The new plant is being operated by 60 per cent fewer people than the old one in Fleet Street and the production unions have agreed to binding arbitration on all disputes.

Ironically Eddie Shah, the man who appeared to personify the revolution, has already been swallowed up by the process. Today has done so badly so far that it has been taken over by the giant Lonrho group, publishers of the Observer. Mr Shah, although still chairman, has retreated to Warrington.

Today, recently relaunched, demonstrates that technology alone is not enough.

Radical plans for UK Tories

BY PETER RIDDELL, POLITICAL EDITOR, IN LONDON

MRS MARGARET THATCHER, Britain's Prime Minister, and her senior ministers will this week commit the Conservative Party at its annual conference in Bournemouth, southern England, to a radical programme at the next general election of further major privatisation and far-reaching changes in housing and education.

Under the conference slogan of "the next move forward" ministers will make a carefully co-ordinated series of announcements both of policies for the rest of this Parliament and of ideas for inclusion in the election manifesto.

This drive to give a new sense of direction will be coupled with strong attacks on the defence and tax policies of Labour and the SDP/Liberal Alliance parties following their recent conferences.

Away from the conference floor, the extent of the radicalism in the next manifesto will be debated by ministers and ex-ministers at an unusually wide range of fringe meetings.

Conservative leaders approach the conference more confident about the party's prospects than appeared likely after the problems of the winter and spring. In particular, a Harris Research Centre survey in yesterday's Observer newspaper puts the Tories at 38 per cent.

This is only three points behind the Labour Party's rating of 41 per cent, even though the poll was undertaken on Thursday and Friday under the impact of Labour's highly successful conference.

The Labour Party, on about its best rating since 1981, and the Tories, have both benefited at the expense of the SDP/Liberal Alliance whose share has slipped to 20 per cent after a divisive row

The Conservative leadership's desire to stress new ideas was emphasised yesterday by Mr Douglas Hurd, the Home Secretary, when interviewed on Television. He said: "We've clearly decided that it is not enough just spelling out what we have done. We've got to place the main accent on what we're going to do."

He said that ministers now had "a glint" in their eyes

Mr Hurd foreshadowed what are expected to be central themes of the week in saying that suggestions for per head funding of school and open entry to any school would fit into a framework for giving parents more power over the educational system.

Zainuddin family to sell stake in UMBC

By Wong Sulong
In Kuala Lumpur

THE FAMILY of Mr Daim Zainuddin, the Malaysian Finance Minister, has signed an agreement to sell off its controversial 50.58 per cent stake in United Malayan Banking Corporation, UMBC, the third largest local bank, to Pernas, a government investment agency, for an undisclosed amount.

In a statement over the weekend, Pernas said the acquisition would "mark another milestone for Pernas in fulfilling the objective and aspirations of the new economic policy." Bankers said the deal would be controversial if the price paid was considered to be excessive.

Mr Lim Kit Siang, the opposition leader in parliament, said he would object strongly to the deal if Pernas had paid more than 8 ringgit ($3) per share, as had been speculated in banking circles, because it would allow Mr Daim's faimly to make a huge profit from the sale.

UMBC has been embroiled in controversy for the past six years. In 1981, Multi-Purpose Holdings, MPH, the Chinese investment company, announced it was buying a controlling stake in the bank from Mr Chang Ming Thein. This was strongly opposed to by various Malay political groups, and the deal was modified so that MPH and Pernas each held 41 per cent of UMBC.

In July 1984, just a week before he was made Finance Minister, Mr Daim announced he was buying MPH's stake in UMBC by exchanging his 51 per cent holding in the much smaller Malayan French Bank, and paying 123m ($46.8m) ringgit in cash.

Last year, UMBC made a one-for-five rights issue, at 4.5 ringgit each. For reasons yet to be disclosed, Pernas and other shareholders did not take up their rights entitlement.

The Daim Family took up the entire rights issue to boost their holding to 50.38 per cent or 38.62m shares.

Mr Daim's involvement in the UMBC affair was the subject of several investigative and critical articles in the Asian Wall Street Journal.

Last week, the Government banned the newspaper from Malaysia for three months and ordered the expulsion of two of its Kuala Lumpur-based correspondents.

Greyhound bus's destination

Continued from Page 1

cessions from a traditional hidebound labour force.

Certainly Mr Teets, the Greyhound Corporation chairman whose empire now includes financial services, restaurants and household goods, finds "no romance in the bus business."

From Mr Teets' standpoint the problems of running long-distance buses may indeed appear insuperable. Airline deregulation in 1978 stuck the first blow. Then came deregulation of road transport in 1982, enabling non-unionised bus operators to undercut Greyhound. The final, probably moral blow, however, came from financial standards set by Mr Teets himself.

Mr Teets admits to only one goal in business – to generate a 15 per cent return on all his company's assets. And while the buses could possibly continue to operate profitably even within the new deregulated environment – especially now that the airline industry appears to be consolidating into an oligopoly – they might never be able to generate that kind of return.

The bus lines' profit margins last year were well up with the Greyhound Corporation's average – bus profits of $30m came to 25 per cent of the Corporation's total, while turnover of $710m represented only 22 per cent of the turnover for the corporation as a whole.

However, Mr Teets presumably believes that the bus lines' assets would be worth considerably more in a sale or liquidation than the $115m at which they are valued in Greyhound's books.

He also hopes the prospect of a sale or closure will concentrate his employees' minds on the big wage cuts he is demanding at the expiry of the current contract with the Amalgamated Transit Union on October 31. Mr Teets has said that a 30 per cent cut in labour costs would persuade him to "try again" as a bus operator.

There are suspicions, however, that Greyhound might actually welcome a strike which would enable the bus lines to be closed and the assets sold off to non-union operators – a tactic Mr Teets exploited profitably two years ago when he disposed of Greyhound's Armour meat-packing subsidiary.

If Greyhound is sold, it seems most likely to be split into a number of regional operations with shorter routes to places badly served by airlines – a strategy which Mr Teets has already implemented to some extent. The big blue dogs would probably remain as a corporate symbol for any company or companies which eventually bought up the buses, but the days are probably numbered for the coast-to-coast bus rides with 5am "rest stops" for a wash and shave in the middle of Nebraska.

UK pins hopes on money supply

Continued from Page 1

ments and sharp rises in asset prices, has raised concern in financial markets of an upturn in inflation.

Mr Lawson has not ruled out a rise in interest rates if sterling were to continue to slide, but his determination up to now to avoid an increase before the party conference is thought to have caused some tension with the Bank of England.

Publicly, the Bank is insisting that there is no difference with the Treasury. The official view is that the judgment to defend the pound through intervention rather than interest rates is based on the perception that the markets are too volatile to conclude that sterling's fall is signalling inflationary pressures.

The Bank, however, appears more concerned than the Treasury about the dangers of an upturn in inflation unless sterling's slide is reversed. In its Quarterly Bulletin, published two weeks ago, the Bank gave an uncharacteristically strong warning that: "It remains important that policy should continue to exert downward pressure on the sources of inflation and that monetary conditions should not become lax."

At the same time there are reports that the Treasury has placed strict limits on the amount the Bank can spend in the foreign exchange markets, on some occasions reducing its effectiveness.

The Bank's intervention, and particularly its co-operation with the Bundesbank, nevertheless won plaudits from other European central bankers at last week's meeting of the International Monetary Fund

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	26	79	Dubrovnik	S	24	75	Malta	F	27	81	Rhodes	S	24	75
Algiers	F	25	77	Edinburgh	C	17	63	Manchester	C	16	61	Rio de J'o	S	35	95
Amsterdam	S	18	64	Faro	S	23	73	Manila	R	26	79	Rome	S	25	77
Athens	S	26	79	Florence	F	25	77	Melbourne	F	18	64	Salzburg	S	17	63
Bahrain	S	34	73	Frankfurt	S	18	64	Mexico City	C	19	66	San Francisco	S	30	86
Bangkok	C	32	90	Funchal	S	24	75	Miami	S	32	90	Seoul	S	21	70
Barcelona	S	24	75	Geneva	S	21	70	Milan	S	25	77	Singapore	R	27	81
Beirut	S	27	81	Gibraltar	S	25	77	Montreal	R	15	59	Stockholm	S	9	48
Belfast	F	15	59	Glasgow	C	15	59	Moscow	–	–	–	Strasbourg	S	14	57
Belgrade	S	19	66	Guernsey	C	14	57	Munich	S	20	68	Sydney	S	24	75
Berlin	S	13	55	Helsinki	S	5	41	Nairobi	C	27	81	Taipei	S	28	82
Biarritz	C	21	68	H. Kong	F	27	81	Naples	S	27	81	Tangier	F	24	75
Bombay	S	31	88	Innsbruck	S	22	72	Nassau	S	31	88	Tel Aviv	S	29	84
Bordeaux	S	25	77	Inverness	C	15	59	New Delhi	F	31	88	Tenerife	C	24	75
Brussels	S	23	73	Islamabad	S	32	90	New York	S	29	84	Tokyo	F	23	73
Budapest	S	17	63	Istanbul	F	22	72	Nice	S	23	73	Toronto	R	14	57
B. Aires	–	–	–	Jakarta	C	30	86	Nicosia	C	27	81	Tunis	S	29	84
Cairo	F	28	82	Jersey	C	16	61	Oporto	C	18	64	Valencia	T	17	63
Cape Town	F	19	66	Jo'burg	F	23	73	Oslo	F	7	45	Venice	S	23	73
Caracas	–	–	–	Lima	C	17	63	Paris	S	20	68	Vienna	S	15	59
Casablanca	S	23	73	Lisbon	S	23	73	Peking	S	25	77	Warsaw	F	11	52
Chicago	C	17	63	London	Fg	15	59	Prague	S	13	55	Washington	S	21	70
Cologne	F	19	66	Los Angeles	C	31	88	Reykjavik	R	10	50	Zurich	S	17	63
Copenhagen	F	11	52	Luxembourg	S	18	64								
Corfu	S	27	81	Madrid	F	22	72								
Dallas	R	17	63	Majorca	S	27	81								
Dublin	C	17	63	Malaga	S	27	81								

Readings at mid-day yesterday:
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Siemens ahead in CGCT battle

Continued from Page 1

lecommunications (DGT). Relations between the two countries' telecommunications authorities have recently been particularly turbulent.

Another problem is the willingness of Siemens to negotiate with the French state-control led Matra group on collaboration in the private telecommunications business. Matra recently took over control of CGCT's private telephone operations, but CGCT would like its new partner in its public switch business to be closely associated with Matra in its former private telephone sector.

Mr Claude Vincent, the chairman of CGCT, says that no telecommunications group will be able to survive in the longer term if it does not have a foothold in both the public and the private parts of the business.

CGCT which still requires an injection of some FFr 500m ($76m) to restructure its balance sheet, is also keen to link up with a partner which will open export opportunities for the group.

The French Government is currently considering proposals to take over CGCT from AT&T, Siemens and Ericsson.

Government and industry sources say that recent suggestions that Plessey of the UK and Italtel of Italy were also interested in bidding for CGCT were not being taken seriously.

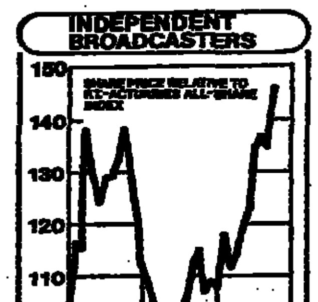
Northern Telecom of Canada also seems to have been ruled out at this stage by the French Government

THE LEX COLUMN

Applause in the Winter Gardens

"The consequences of an uncontrolled slide in sterling would, of course, have threatened the entire counter-inflationary stance of the past seven years. Saved by the folly of Opec from its unwanted status as a petro-currency, sterling now fully belongs within the stable framework of the European Monetary System. To have the reserves of the Bundesbank at our disposal has made the necessary intervention more effective.

"And the discipline of the EMS will enable us to reassert the fundamentals of our sound-money policy. In this winter's wage round both employers and unions will know that we mean what we say: inflationary wage increases can no longer be financed."



This is perhaps a speech which the Chancellor might idly think of delivering to the Conservative Party conference this week. It has the merit of presenting a consistent face to the various long-standing problems that have risen up against UK monetary and exchange rate policy. In the bracing autumn air of Bournemouth there is even a sporting chance that Mr Lawson could deliver such a message without actually being hooted off the platform – the fate which actually befell Mr Denis Healey in similar circumstances 10 years ago.

A speech that might go down rather better, though with more underlying doubts, would sound more like this:

"You know that we have never shrunk from doing what is needed to defend the value of the currency, within the framework of a free market. It was an act of faith in the market system to remove exchange controls; and we have to keep faith with the judgment of the markets so long as they do not begin to overshoot in a potentially dangerous manner.

Given the new spirit of international co-operation, engendered at the Plaza meeting last year, we have ridden out some fundamentally unjustified short-term pressure on sterling with the help of our friends in Europe. We have resisted the damaging demands for a rise in base rates. As you have seen, the City was wrong in its expectation of an abnormal rise in the money stock last month. There is no sterling crisis."

As the Chancellor receives the traditional standing ovation, the sense of problems unresolved is likely to echo uneasily round the financial markets. Good money figures? Well, possibly; but how much of this unexpected bonus will be a direct offset to the Bank of England's foreign exchange intervention? Avoidance of a base rate increase? Well yes; but how long will the markets stand back when the special eight-day loan to the discount market expires? The judgment that will matter for sterling and base rates is not that of the party conference, but that of the markets.

TV companies

Finding a sector which has been consistently undervalued by the market is the stockbrokers equivalent of turning lead into gold. The latest example of would-be analytical alchemy is Kleinwort Grieveson's attempt to prove that the TV contractors should be on a growth rating.

It does on the face of it seem odd that these companies' prospective earnings should be on a discount of about 40 per cent to the FT Industrials average; they are in a way advertising companies with assets.

In fact, the sector has enjoyed a steady if not spectacular rerating, having recently fought its way back to the position relative to the All-Share that it held about 2½ years ago. Now it is floating uncomfortably in the grey area between income and growth.

The short-term arguments are persuasive. Net TV advertising revenues this year are likely to show an increase of about 20 per cent over 1985's levels, and real growth next year of around 7 per cent is expected.

Even companies which are fighting to retain their share of the cake can therefore produce substantial profits increase: Central TV two weeks ago announced that its interim profits had more than doubled. With a market which is now worth over £1bn a year, very small increases in market share will be significant for profits, which should assist the contractors in the South such as Thames and LWT.

With the spectre of advertising on BBC now exorcised, worries about a dent in the local monopolies enjoyed by the contractors will switch to the proposed satellite DBS service in the UK.

The most optimistic of the tenders for the contract expects to take 32 per cent of the TV advertising cake by the eighth year of operation. All that is certain is that until the 1990s the project seems destined to incur very high costs in return for minimal revenues.

In any event the deregulation of the airwaves across Europe provides more opportunities than obstacles for those contractors with the programme making base and archives to fill the countless hours that will need to be filled.

Contractors such as Television South West, LWT and Central have already moved to encourage institutional investment by enfranchising their shareholders.

But both bankers and insurance companies will always be cautious about lending to or investing in companies whose main or entire business can be removed by decree of the IBA.

Experience has shown that it requires considerable efforts to lose a licence, but if it comes to that, the companies' solid asset backing in the form of property, studios and archives provide considerable solace. When Westward TV lost its licence the fire sale produced more than its market capitalisation before the expulsion order.

Attempts by the TV contractors to diversify out of a complete dependence on the licence are hardly impressive. HTVs revelation last Thursday of unexplained losses and write-offs in its diary publishing venture is just the latest case for the prosecution.

The problem is that the IBA desires to loan the airwaves to the great and the good, not the hard-headed entrepreneur. But however unsuccessful the management, the IBA's opposition to transfer of licence ownership mid-term – Thames, Granada – means that the companies are effectively takeover-proof.

The TV contractors' stock market ratings may be no more than an advance City screening of the fate waiting any company that a future Labour Government takes into social ownership.

FINANCIAL TIMES

Monday October 6 1986

Seven-Up business sold for $240m

By Anatole Kaletsky in New York

HICKS & HAAS, a little known but rapidly expanding private partnership, emerged as the third largest force in the US soft drink market when it said that it was buying the domestic business of the Seven-Up company from Philip Morris for $240m.

The franchise for Seven-Up will put Hicks & Haas, a partnership controlled by Mr Thomas Hicks and Mr Robert Haas, two Dallas investors, in control of 14.3 per cent of the US soft drinks market. This compares with market shares of 39 per cent and 29 per cent respectively held by Coca Cola and Pepsi Cola, the two brand leaders.

Hicks & Haas rose to prominence only last year, when it led the acquisition of two soft drink bottling plants in Dallas and Waco, Texas. It later purchased A & W Brands, the nations largest root beer manufacturer.

Its expansion culminated two months ago when it led a group of investors in a $416m leveraged purchase of Dr Pepper, the third largest US soft drink product, which is particularly popular in Texas. One of the other partners in that transaction was Cadbury Schweppes of the UK, which acquired a 30 per cent stake in Dr Pepper.

As in the Dr Pepper purchase, Hicks & Haas has bought Seven-Up as part of a broader investment group. In this case the other partners include Donaldson Lufkin and Jenrette Partnership as well as members of the Dr Pepper and Seven-Up management.

Philip Morris moved to sell Seven-Up in January this year as part of a strategic decision to get out of the soft drinks industry.

Brief rallies in market fail to dispel wider currency concerns

BY CLARE PEARSON IN LONDON

CURRENCY worries overshadowed the Eurobond market last week as the dollar fell on the foreign exchange market while finance ministers of leading industrial countries meeting in Washington failed to reach agreement on economic policies.

But the market enjoyed two brief rallies – one mid-week and the other on Friday afternoon – on US economic data, rekindling hopes of a more stable currency and the possibility of lower US interest rates.

Most dealers, who were shaken out of their after-lunch somnolence by a flurry of trading on Friday, remained unconvinced by the rallies, however. They said price rises were triggered by professionals and retail investors remained on the sidelines.

This was no market in which to launch a welter of new paper, and generally managers kept issuing activity low and mainly confined to good quality names.

Where deals were for good quality names, this policy generally came good. Citicorp Investment Bank, for instance, met a strong response to its $75m deal for European Steel and Coal Community. Dealers said this was mainly because of its short, three-year maturity, which attracted investors wary of a lengthy exposure on a dollar bond.

Banque Nationale de Paris was also successful in attracting investors to its $150m seven year deal for IBM. Dealers said its initial yield spread of 53 basis points over US Treasury bonds looked generous for this popular triple-A rated borrower.

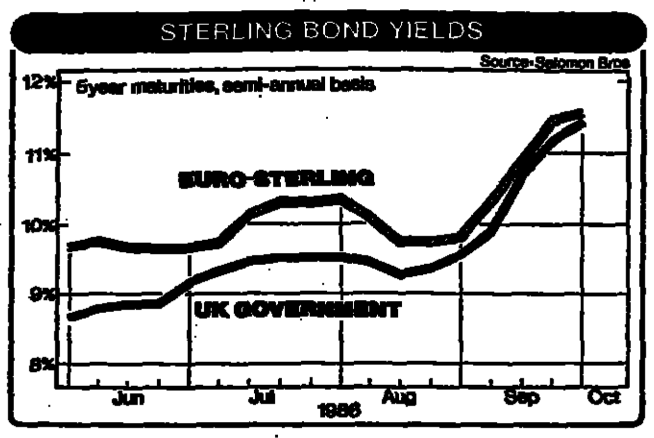
In contrast, a $100m issue for the Farm Credit Corporation of Canada, also launched on Friday, at a similar yield spread and also triple-A rated, met with indifference.

North American borrowers seem firmly out of favour with the Eurobond market, not helped by Dome Petroleum's attempts to reschedule repayments on its outstanding bonds.

Mutual Life Insurance was encouraged by Wednesday's brief issuing window to launch $150m debt through its subsidiary Mony Funding. Even though the deal was triple-A rated, this traded at discounts to issue price outside its fees. A $200m deal for Citicorp met a similar fate.

Currency concerns afflicted the floating rate note market as well as the fixed rate dollar market, and the supply of new issues almost dried up as the market traded under the burden of a heavy weight of inventory and the end of the Japanese half-year, repressing Japanese demand.

The Japanese equity warrants market also trade under a cloud of disillusionment as share price in Tokyo fell during much of the week. Coupons are now being set at 3¾ per cent on new deals, but dealers say even this is not high enough to attract investors.



Of all the markets the Eurosterling market suffered the worst last week, as the foreign exchange markets drove the pound down while the authorities resisted pressure to raise base rates.

Prices of sterling Eurobonds fluctuated widely in line with gilt prices. Most traders found it the best policy to keep positions flat, since very thin trading meant that prices varied widely between market-markers and forages into the market proved a risky business.

The D-Mark market traded weakly in line with the Eurodollar market during most of last week, although trading increased on Friday as the dollar briefly fell below DM 2. A new 12-year domestic Federal bond met sluggish demand.

But Denmark found a reasonable response to its new DM 1bn two-tranche deal, since this was the first borrowing for the country in the Euro-D-Mark market for two years. Both deals were quoted with their fees, although demand was stronger for the five year than for the seven year tranche.

The Swiss franc market was in healthier shape than other areas of the Eurobond market as short-term interest rates moved down by about 3/16 point on the week and prices rose by between ¼ and ½ points on the week.

This enabled fairly buoyant new issue volume, although there was concern that the supply of new paper for Japanese borrowers might prove too heavy.

The Euroyen market was also healthier than other sectors of the Eurobond market last week, and a long-expected Y80bn deal for Norway was finally launched. Although the borrower's name is popular with investors, the bond met a less enthusiastic response than many dealers expected since its terms were seen as aggressive. Its price held at a discount to issue price slightly outside the level of its total fees during most of the week.

Issues convertible into gold are proving popular against a background of concern about the dollar.

A SFr 80m 10-year 5¾ per cent bond for Pegasus Gold convertible into gold or stock closed its first day's trading on Friday at 105¾, as against a par issue price. Meanwhile Banque Paribas Capital Markets found a good response to a $50m five-year 5¼ per cent bond for American Barrick Resources, convertible into gold after its first year and launched on Friday evening.

EUROMARKET TURNOVER
Turnover ($m)

Primary Market	Straights	Conv	FRN	Other
US$	4,119.1	949.2	3,295.3	3,082.2
Prev	2,617.1	0.2	14,883.2	2,483.6
Other	2,361.3	–	409.2	55.6
Prev	3,329.1	0.2	2,916.5	275.8
Secondary Market				
US$	25,649.6	1,641.7	16,767.3	5,572.7
Prev	22,973.5	1,174.5	24,230.4	5,272.4
Other	13,852.6	70.5	4,084.8	4,298.5
Prev	14,021.5	119.5	4,160.8	4,472.4

	Cedel	Euroclear	Total
US$	17,441.8	43,534.3	60,967.1
Prev	19,295.2	54,164.8	73,460.0
Other	11,670.2	13,563.3	24,133.5
Prev	13,130.0	17,159.4	30,290.4

Week to October 2 1986 — *Source: AIBD*

Move to finer underwriting fees on Euronotes swallowed without murmur

BY ALEXANDER NICOLL IN LONDON

THE MOVE to even finer underwriting fees on Euronote facilities appears to have been swallowed by the market without a murmur.

The $300m deal for France's Credit National and the $400m facility for Ireland have both been well oversubscribed. Both deals included a facility fee of only four basis points for the first part of their lives, rising to five thereafter. Both have been supported by a wide spread of banks including US as well as Japanese ones.

The Credit National facility, which has the lower fee for the first five years, has been oversubscribed by 50 to 80 per cent, though there is no chance of an increase. Irelands, which has the four basis point fee for only two years, has been comfortably oversubscribed, and the borrower was due to consider over the weekend whether to sanction what could be a sizeable increase. It is believed in any case to have been originally interested in a $500m deal.

Perhaps emboldened by these responses, Barclays Bank in Hong Kong brought out a Euronote facility on Friday for Bank of New Zealand which appears to have even tighter terms. Bank of New Zealand is government-owned, though it does not borrow with the Governments specific guarantee. It is by far the largest bank in New Zealand.

Neither the arranger nor the borrower could formally confirm the terms of the facility in London, but bankers hearing of them in the market had their breath taken away.

The facility is believed to total $200m, of which half is to be underwritten. The underwritten fee is said to be 1/32 of a percentage point, or 3⅛ basis points, for the full five-year life. The maximum interest rate is to be London interbank offered rates with no margin. There is no front-end fee. The utilisation fee is three basis points for usage of between 50 and 75 per cent, and four basis points above that.

The long-awaited $100m loan for Cyprus emerged with innovative tax-sparing features which allow the country to pay just two basis points above London interbank offered rates compared with the margin of 50 or more basis points which it might expect to pay on a conventional loan.

Security Pacific Hoare Govett is leading the deal with Bankers Trust International as co-arranger. The entire loan, however, is being underwritten by two UK merchant banks, Morgan Grenfell with $60m and S.G. Warburg with $40m. Tax-sparing is made possible by the double taxation agreement between Britain and Cyprus and the fact that the proceeds of the loan are to be used for development.

Other banks will be invited to share the risk, but not technically as lenders. Instead, they will effectively provide guarantees for which they will be paid a fee out of the benefits of tax-sparing, thus sharing out the tax-sparing benefits between the parties and enabling them to earn nearer what they might normally expect to make from lending to Cyprus. The arrangers are not disclosing exactly what margin participants will effectively earn, but it should be noted that since they will be giving guarantees rather than making loans, their commitments are intended to be off the balance sheet.

The sterling commercial paper market is gathering some autumn pace with the announcement of new facilities. Storehouse, the UK retailing combine formed from British Home Stores and Habitat Mothercare, has a £150m programme with Chase Manhattan, County NatWest Capital Markets, Morgan Grenfell and Swiss Bank Corporation International as dealers. The borrower may also issue in dollars. Chesterfield Properties has a £50m programme with County NatWest and Warburg as dealers.

A survey of potential investors in sterling CP, published today by stockbrokers Phillips & Drew, suggests, however, that there may be a gap between issuers' and investors' views of the young market which could be difficult to resolve. Borrowers have generally been hoping to get rates which are competitive with those on bankers acceptances.

Though most of the investors surveyed say they do expect to buy sterling CP, a majority say paper issued by a top-rated borrower would only be attractive if the yield was at Libor or higher – a level at which the best names would be most unlikely to consider issuing.

Turkey is continuing its comeback in the international borrowing field with a $50m note purchase facility credit for its Petroleum Pipeline Corporation Botas, led by Morgan Grenfell and the only purely commercial lending portion of a $292m project financing.

The market for deferred purchase facilities, which enable UK municipal authorities to finance outlays such as on housebuilding, has narrowed down to Scotland after the Government halted it elsewhere in the summer. Edinburgh has mandated Industrial Bank of Japan and Guinness Mahon for a £70m facility.

INTERNATIONAL CAPITAL MARKETS

US MONEY AND CREDIT

Weak employment data lift bond prospects

US BOND PRICES rose for the second week running last week but the gains were not enough to wipe out the previous heavy losses and September has proved to be the second worst month of the year for investors in the US bond markets.

The only consolation is that it could have been worse, especially after the news that the finance ministers of the world's five richest countries had failed to reach an agreement about what to do about interest rates and exchange rates ahead of last week's meeting of the International Monetary Fund (IMF) and the World Bank.

Any hopes that the major industrialised countries would use the occasion of the year's most important international financial meeting to unveil a co-ordinated cut in interest rates, were quickly dashed. Indeed, President Reagan underlined the current US dispute with its rich allies in a speech to the IMF which urged them to "contribute their fair share to world recovery and adopt more growth oriented policies."

Mr James Baker, the US Treasury Secretary, tried to put a brave face on last week's high level meetings and cool the often acrimonious debate between the US and its major industrial partners in his speech to the IMF. The failure to reach an agreement on how to correct the trade imbalances should not be viewed as a setback, said Mr Baker.

Nevertheless, the general consensus in the financial markets is that last week's meetings ended in a stalemate and the only excitement was the last-minute $12bn bail-out of Mexico. The US was unable to get West Germany or Japan to agree to lower their interest rates and/or boost their economies, while the US gave no indication that it was prepared to prevent further sharp declines in the value of the dollar. The foreign exchange markets have reacted to the stalemate by marking down the value of the dollar and by the end of the week it was sitting at DM2 and several analysts expect it shortly to test last month's low of DM 1.983.

However, the credit markets did not react as negatively as might have been expected. US Government bond prices fell sharply on Monday but recovered the next day following a batch of economic statistics which showed that the US economy is growing very slowly and the US trade deficit may be starting to shrink at last. The index of leading economic indicators fell by 0.5 per cent in August—its third decline in four months—and an August trade deficit of $13.3bn was less than expected.

However, the main economic news of the week for the markets was Friday's employment figures, which showed that the unemployment rate jumped by 0.2 percentage points to 7 per cent in September after three months of declines. Bond traders take a lot of notice of the employment data because it provides not only a fairly reliable snapshot of how the overall economy is doing but also gives important clues as to how other important segments of the US economy are faring. Most analysts had been expecting the September figures to show little change from August and the figures are unquestionably weaker than expected.

Smith Barney, the New York broker, says in its latest credit market comment that none of last week's data "dissuade us from our view that economic growth will average 2½ per cent to 3 per cent between now and the end of 1987, although we continue to believe that if we are incorrect, growth will prove weaker than our forecast." Smith Barney is still forecasting third-quarter US economic growth of 2½ per cent and a "modest but temporary acceleration" in the fourth quarter.

The firm says it continues to believe there is a 50 per cent probability that a co-ordinated discount rate cut will be implemented within the next one or two months, an expectation which could help the market over the near term. However, it warns that a temporary blip in both real growth and inflation during the fourth quarter could have a negative influence on the market at some point by the year-end.

Salomon Brothers' Henry Kaufman notes that while the Federal Reserve may feel constrained by the dollar's latest dip, it will likely maintain its accommodative stance for the near term. "As economic sluggishness persists, the Fed will eventually have to ease further, regardless of the dollar risk, and hope that parallel moves by other countries will dampen the dollar's descent," says Kaufman.

Philip Braverman of Irving Trust's Briggs Schaedle division is equally optimistic. "The outlook still favours lower bond yields as the market increasingly recognises that the economy is far from rebounding and that the Fed will inevitably continue its easing trend," says Mr Braverman in his latest credit market report.

William Hall

US MONEY MARKET RATES (%)

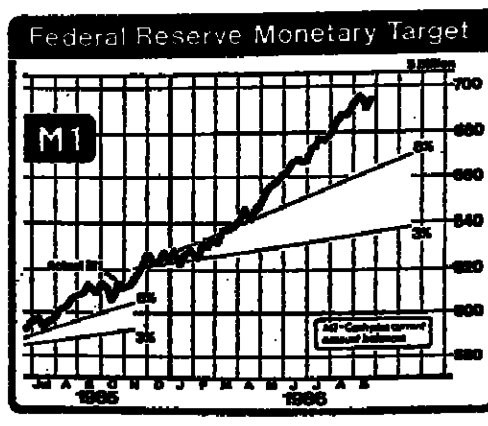
	Last Friday	1 week ago	4 wks ago	12-month High	12-month Low
Fed Funds (weekly average)	6.12	5.84	5.88	8.91	5.84
Three-month Treasury bills	5.09	5.23	5.23	7.40	5.11
Six-month Treasury bills	5.18	5.36	5.30	7.41	5.16
Three-month prime CDs	5.67	5.76	5.66	8.05	5.46
30-day Commercial Paper	5.73	5.78	5.60	8.05	5.50
60-day Commercial Paper	5.65	5.70	5.60	7.85	5.46

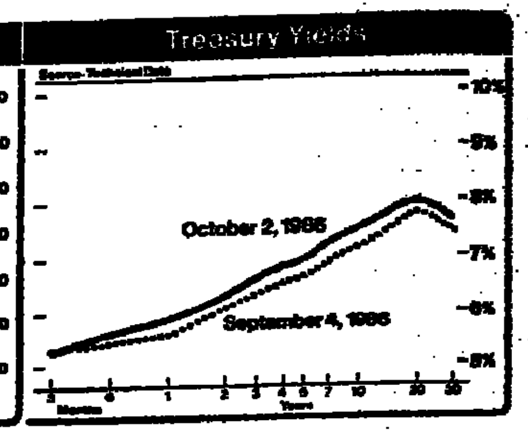
US BOND PRICES AND YIELDS (%)

	Last Friday	Change on week	Yield	1 week ago	4 wks ago
Seven-year Treasury	100⅝	+0⅝	7.11	7.28	7.15
20-year Treasury	114¾	+2	7.87	8.07	7.94
30-year Treasury	99⅛	+1⅛	7.63	7.83	7.54
New 10-year "A" Financial	N/A	−0⅛	8.63	8.59	8.40
New "AA" Long utility	N/A		9.38	9.38	9.40
New "AA" Long industrial	N/A	+1⅛	9.00	9.13	9.05

Money Supply: In the week ended September 22 M1 rose by $4.3bn to $686.1bn

Source: Salomon Bros (estimates).





UK GILTS

Bank holds back the discount houses

THE GYRATIONS of the past week have induced something close to shell shock in many hardened players in the UK gilt-edged bond markets.

One benchmark stock at the longer end of the market, the Treasury 13¾ per cent 2004/08, gives an idea of the week's progress:

Monday, down 2¾ points as sterling slides.

Tuesday, up 2⅜ when the Bundesbank joins the Bank of England in support of the pound.

Wednesday, a rise of only ⅛ on the day. Dealers unused to moves this small are confused.

Thursday, down 1⅜ as the pounds resumes its slide.

Friday, up ⅞. The Bank stamps its foot again.

"One point is no longer a large move. Even the most active traders of the market are now staying out," observed Mr John Sheppard, gilts economist at Rowe & Pitman, Mullens.

It was good to see that Mr Nigel Lawson, the Chancellor of the Exchequer, retained a sense of humour while skulking out of sight in Washington.

Anxious Treasury officials felt it necessary to point out that the Chancellor was making a joke when he said on Tuesday that sterling would not enter the exchange rate mechanism of the European Monetary System "today." The market had, for the most part, already got the point, although the previous day it had seen a rather different joke in the use of the same form of words by the Governor of the Bank of England.

The Bank can feel some satisfaction on other counts, however. If it has not won the day, it did at least succeed last week in averting what seemed to many like an inevitable rise in base rates. Some of its foreign exchange dealers may feel frustrated at having to intervene with their hands tied, but they managed to keep the sterling index above 68.0.

It has not been easy to hold back the discount houses. The Bank's early assistance to the money markets on Monday was agreed only after lengthy discussions with the houses. The Bank had to accept some bills at rates above its existing dealing rates, although close enough to be called in line with the general structure. Several houses had wanted to offer bills at considerably higher rates.

Wednesday's money market rounds offered even more food for thought to interpreters of the Bank's smoke signals. The Bank ended up completing its assistance to the markets with £55m of lending to the houses at 10 per cent, expiring on Thursday—the day on which Mr Lawson will expound the success of his economic policies to the party faithful at Bournemouth.

The discount houses had been most unwilling to commit themselves to the present rates structure further ahead than tomorrow, when most of the market has been expecting money supply figures so horrendous that base rates will have to rise.

For the Bank to agree to the lending expiring on Tuesday, however, would have been read as an admission that sterling M3 growth in banking September was quite as bad as the 3½ to 3¾ per cent that the market is expecting. But to dispel the fears too convincingly might have weakened the beneficial effects of being able to announce relatively modest sterling M3 growth.

Fortunately for the authorities, the markets were so nervous that they decided the the Bank did not want one rate rise last week only to have to concede a second tomorrow on the back of poor money supply numbers. On Friday, the discount houses were still pressing for a 2 percentage point rise in base rates, and the Bank had to refuse all bids at its weekly Treasury tender, the first such refusal since the sterling crisis in January.

A warmer response was accorded to the Bank's other signal on Friday, the issue of £200m tranches of 10 per cent Treasury Convertible 1990 ex-dividend, 9 per cent Conversion 2000 and 8 per cent Treasury 2009. Business as usual was the message drawn from these modest issues in an unremarkable range of maturities.

George Graham

FT/AIBD INTERNATIONAL BOND SERVICE

US DOLLAR STRAIGHTS	Issued	Price	Chg. on week	Yield
AHFC O/S Fin 11¾ 94	100	102⅛	0	[illegible]
AIDC 11 89	75	107⅞	−0½	[illegible]
Alcan Australia 8½ 89	25	99½	+0½	[illegible]
Amer Saving 12 89	125	105⅞	+0⅞	[illegible]
Amer Saving 12⅛ 88	100	106⅞	−0⅛	[illegible]
Asian Dev Bk 11⅛ 93	100	0		
Australia 8⅞ 91	60	101½	0	[illegible]
Australia 11⅛ 90	100	112⅛	−0⅞	[illegible]
Australia 11⅛ 98	100	117⅞	−1⅛	[illegible]
Austria 15½ 88	75	112⅛	+0⅛	[illegible]
Avon Fin 10⅛ 92	100	108	+0⅛	[illegible]
Bk Nova Scotia 13⅛ 87	100	105⅛	−0⅛	[illegible]
Bank of Tokyo 12⅛ 92	85	0		
Bank of Tokyo 13⅛ 91	100	122½	+0⅛	[illegible]
Bank of Tokyo 13⅞ 89	100	117	+0⅛	[illegible]
BMW O/S Ents 10⅛ 91	50	109⅛	0	[illegible]
BP Capital 11⅞ 92	150	110⅛	0	[illegible]
Br Col Hydro 12½ 14	200	0		
Br Col Hydro 12½ 13	250	128	−0⅛	[illegible]
Br Col Hydro 13⅛ 88	150	110⅛	0	[illegible]
Britoil Fin 11⅞ 90	125	108⅛	+0⅛	[illegible]
Caisse Nat En 11⅛ 95	125	121⅛	+0⅛	[illegible]
Canada 10⅞ 88	500	108⅛	+0½	[illegible]
CBS Inc 11⅛ 92	100	105⅛	+0⅛	[illegible]
Centrust S & L 10	1.2bn	11⅛	+0⅛	[illegible]
Chesebrough 12 93	100	111⅛	+0⅛	[illegible]
Chubu Elec Pwr 13⅛ 91	80	0		
Citicorp 10 88	200	105½	0	[illegible]
Citicorp 11⅛ 92	100	109	+3⅛	[illegible]
Citicorp 11⅛ 97	200	111	0	[illegible]
Citicorp O/S 10⅛ 90	100	102⅛	0	[illegible]
Citicorp O/S 11⅛ 90	100	104⅞	+1⅛	[illegible]
CNCA 11½ 92	125	115⅛	+0⅛	[illegible]
CNCA 13⅛ 91	100	121⅛	+0⅛	[illegible]
Coastled Int 12⅛ 88	125	106⅛	0	[illegible]
Coca-Cola 11⅛ 88	100	108⅛	+0⅛	[illegible]
Cn Fn de Paris 13⅞ 89	100	108	0	[illegible]
Continental Grp 11½ 93	75	106⅞	0	[illegible]
Creditanstalt 13⅛ 91	100	119	+1	[illegible]
Daiichi Kangyo 12⅛ 90	100	115½	+0⅛	[illegible]
Denmark 10⅞ 90	100	104½	−1	[illegible]
Denmark 11½ 92	100	114⅛	+0⅛	[illegible]
Denmark 12⅛ 93	100	111⅛	+0⅛	[illegible]
Denmark 12⅛ 92	250	101½	−0⅛	[illegible]
Denmark 13 91	100	120⅛	+0⅛	[illegible]
Denmark 13 92	100	101⅛	−0⅛	[illegible]
Denmark 13⅛ 91	100	121⅞	+0⅞	[illegible]
Denmark 14 91	100	112⅛	+0⅛	[illegible]
Digital Equip 11⅛ 89	150	110½	+0⅛	[illegible]
Dutch St Mines 11⅛ 91	150	106½	−0⅛	[illegible]
Eksportfinans 11⅛ 92	100	113⅛	−0½	[illegible]
Eksportfinans 11½ 90	100	108½	+0⅛	[illegible]
Elec de France 11⅛ 93	100	116⅛	+0⅛	[illegible]
Elec de France 12⅛ 87	150	106⅛	−0⅛	[illegible]
EEC 9⅛ 90	350	105⅛	+0⅛	[illegible]
EEC 11 87	350	103⅛	−0⅛	[illegible]
EEC 11⅛ 90	100	111⅛	+0⅛	[illegible]
Elf-Aquitaine 10⅛ 89	100	107⅛	+0⅛	[illegible]
Ericsson L M 10⅛ 88	100	103½	−0⅛	[illegible]
Euro Inv Bk 11½ 90	200	114⅛	+0½	[illegible]
Euro Inv Bk 11⅛ 91	73	0		
Euro Inv Bk 12⅛ 90	100	116⅛	+0⅛	[illegible]
EDC 9⅞ 88	200	105	0	[illegible]
EDC 10 88	125	104⅛	0	[illegible]
EDC 10⅛ 89	100	105⅛	0	[illegible]
EDC 11⅛ 89	150	109	+0⅛	[illegible]
EDC 12 89	100	112⅞	0	[illegible]
EDC 13⅛ 87	100	106⅛	−0⅛	[illegible]
Fed Dept Store 11 90	100	111½	+1⅛	7.09
Finland 11½ 88	100	106½	0	6.40
Finland 12⅛ 94	75	124⅛	+1⅛	8.20
Finnish Export 12⅛ 87	75	109⅛	0	6.07
Firstfed Mich 1 13⅛ 89	125	112⅛	+0⅛	8.05
Florida Fed 12⅞ 89	100	106⅞	−0⅛	9.27
FNMA 11.5 91	300	0		
Gen Elec Cred 0 96	600	44⅛	+0⅞	8.86
Gen Elec Cred 9⅞ 91	100	105½	+0⅛	8.34
Gen Elec Cred 10⅛ 90	200	106⅞	+0⅛	8.46
Gen Elec Cred 11 91	200	109⅛	+0⅛	9.06
Gen Elec Cred 11½ 87	200	105	0	10.76
Gen Elec Cred 12 94	200	115½	0	9.20
Gen Foods Cap 11⅛ 90	75	109⅛	0	8.21
General Mills B 12 91	100	114	+0⅞	8.84
Gen Motors Acc 10⅛ 90	200	104⅛	+0⅛	8.92
Gen Motors Acc 11⅛ 90	100	107⅛	+0⅛	9.07
GMAC 10 92	250	106⅞	+0⅛	8.55
GMAC 10 88	200	104⅛	+0⅛	6.89
GMAC O/S Fin 15⅛ 97	100	106⅛	+0⅛	10.63
GTE Finance 12 96	75	102⅛	0	11.54
Gulf Oil 10⅛ 94	100	105½	0	9.25
GZB 14 91	100	120⅛	0	8.48
Holl Air Fin 12⅛ 91	100	107⅛	−0⅛	10.14
Household Fin 11⅛ 92	100	111⅛	0	8.84
IBM 9⅛ 88	200	104	+0⅛	9.08
IBM (WTC) 10⅛ 89	300	105⅛	+0⅛	8.41
IBM Credit 11 89	100	105⅛	+0⅛	8.84
IC Industries 8⅛ 87	35	100⅛	+0½	8.46
IC Industries 12 90	75	107½	0	9.19
Inco 9 92	100	99	−0⅛	9.20
Ind Bk Japan 10⅛ 92	100	109	−1	8.55
Ind Bk Japan 10⅛ 88	100	105	−0⅛	6.53
Ind Bk Japan 10⅞ 95	100	111	−2⅛	8.93
Ind Bk Japan 11⅛ 89	125	107	−0⅞	8.23
Int-Amer Dev 12⅛ 91	150	121	+0⅛	7.68
Int-Amer Dev 11⅛ 94	200	120⅛	0	8.25
Int Paper 12 91	75	108½	+0⅛	10.08
Int Stand Elec 0 97	112	36½	−0⅛	10.12
Int Stand Elec 12 98	75	105⅛	0	10.39
ITT 11½ 89	125	108⅛	−2⅛	8.22
ITT Credit Corp 10⅛ 90	75	107⅛	0	8.14
Japan Airlines 12½ 94	70	118⅞	−1⅞	9.09
Japan-Dev Bk 10⅛ 92	50	0		
Kellog Co 10⅞ 90	100	107⅞	+0⅛	8.13
Kellog Co 11⅛ 92	100	109	−2⅛	9.04
Kiewit 10½ 90	100	105⅛	+0⅛	8.15
Kimberley-Clark 12 94	100	119⅛	+0⅛	8.58
Kyowa Fin HK 12⅞ 90	100	0		
Long Term Cred 10⅞ 90	100	108⅛	+0⅛	7.99
Long Term Cred 11 90	100	110⅞	+0⅛	7.80
Long Term Cred 11⅞ 89	100	110⅛	+0⅛	7.20
Long Term Cred 12 93	100	120⅛	+0⅛	8.15
Macy R H 11⅛ 91	100	105⅛	+0⅛	10.14
Marubeni 11⅛ 91	100	0		
McDonald Fin 11⅛ 94	75	108⅛	0	9.98
Merrill Lynch 12⅛ 89	100	106⅛	0	10.24
Michelin 7½ 92	58	96⅛	0	8.25
Mitsubishi Corp 10⅛ 92	100	109	+0½	8.56
Mitsubishi Corp 10⅛ 95	200	107⅛	+0⅛	9.29
Mitsubishi Corp 12⅛ 91	100	119⅛	+0⅛	7.38
Mitsubishi Est 10⅛ 92	50	106⅛	−0⅛	9.01
Mitsubishi Est 11⅛ 88	50	107⅛	+0⅛	6.42
Mitsui Fin Asia 12⅛ 92	100	0		
Mitsui Tst Fin 12 91	100	0		
Mobil Corp 10⅛ 90	200	106⅞	−1⅛	7.38
Montreal City 12½ 91	70	113⅛	−1⅛	8.73
Mgn Guaranty 12⅛ 89	150	111⅛	+0⅛	7.25
Morgan J P 11⅛ 92	100	108½	+0⅛	8.96
Mount Isa Fin 13⅛ 87	100	105	+0⅛	6.87
Ned Gasunie 11⅛ 90	75	112	+0⅞	7.88
Ned Gasunie 11⅛ 91	75	107	+0½	9.36
N Eng Lf Mtg 11⅛ 95	149	114½	+0⅛	9.20
Newfoundland 13 91	75	114⅛	−0⅞	8.86
Nippon Cred Bk 13⅞ 89	100	115⅛	+0⅛	7.41
Nippon Cred Bk 9⅛ 93	50	89	−0⅞	11.83
Nippon Tel Tel 11⅛ 90	100	106⅛	−0⅛	8.17
Nippon Tel Tel 12⅛ 91	100	120½	+0⅞	7.59
Nissho Iwai 10⅛ 92	100	0		
Nova Scotia 11⅛ 91	100	106⅛	−0½	9.95
Nova Scotia 11⅛ 98	100	111⅛	−2	10.02
Oester Post 12⅛ 89	75	111⅛	+1½	7.18
Ontario Hydro 11⅛ 94	200	116⅛	−0⅛	8.20
Ontario Hydro 11⅛ 90	200	114½	0	7.44
Ontario 12½ 94	250	123⅛	−0⅛	8.45
Orient Fin 11 92	50	0		
Pacific Gas & El 12 00	75	114⅛	0	10.00
Penney J C 11⅛ 90	100	105½	+2⅛	10.18
Penney J C 12⅛ 91	100	112⅛	+0⅛	9.55
Postipankki 11⅛ 90	75	0		
Post-Och Kred 13½ 87	50	0		
Privatbanken 12½ 95	100	118	0	9.28
Prudentiel Ins 12⅛ 87	150	106⅛	−0⅛	6.24
Pru Rlty Secs 0 99	365	34	+0⅞	9.71
Pru Rlty Secs 11⅞ 92	365	108⅞	+0⅛	9.54
Pru Rlty Secs 12⅛ 96	545	116⅛	+0⅛	9.28
Quebec Prov 12⅛ 94	150	113⅛	−1⅛	9.60
Queensland Gvt 11⅛ 88	100	110⅛	0	7.63
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FLOATING RATE NOTES	Issued	Price	Chg. on week	C.cpn
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Belgium B 0.08 2011	250	100⅛	+0⅛	6⅛
CCF 97	250	99⅛	0	6⅞
CEPME ⅛ 96 £	100	100⅛	+0⅛	10⅞
Chase Manhattan ⅛ 00	250	100⅛	0	6⅞
Chase Manhattan ⅛ 08	400	100	−0⅛	6⅞
Chemical NY ⅛ 99	300	100	0	6⅞
Citicorp O/S ⅛ 91 £	100	99⅛	+0⅛	9⅞
Citicorp Pan ⅛ 97	250	100	+0⅛	6⅛
CNT ⅛ 00	300	100⅛	+0⅛	6⅞
Commerzbank ⅛ 89	150	100⅛	0	7⅞
Creditanstalt ⅛ 98	150	100⅛	0	6
Credit Foncier 97	350	100	0	6⅞
Credit Foncier ⅛ 00 £	100	100⅛	−0⅛	10⅞
Credit Lyonnais ⅛ 96	300	101½	+0⅛	7⅛
Credit Lyonnais ⅛ 99	250	100⅞	+0⅛	7⅞
Credit Lyonnais ⅛ 00	300	100⅞	0	6⅞
Credit National ⅛ 95 £	100	100	−0⅛	10⅞
Dai-Ichi Kangyo ⅛ 96	150	100⅛	0	6⅞
Den Danske Bk ⅛ 89	30			7⅞
Denmark ⅛ 90	500			7⅞
Denmark ⅛ 04	500	100⅛	0	6⅛
Eldorado Nuke 89	100	100⅛	+0⅛	5⅞
Elec de France ⅛ 99	400	102⅛	+0⅛	6⅞
ENEL ⅛ 93 £	100	100⅛	0	10⅞
Exterior Int ⅛ 96	125	100⅛	0	7⅛
Ferro del Stat ⅛ 88	100	100	0	7⅛
Ferro del Stat 97	420	100⅛	−0⅛	7⅛
Finnpap ⅛ 95	100	100⅛	0	6⅛
First Chicago ⅛ 94	100	100	+0⅛	6⅛
First Chicago ⅛ 97	200	99½	+0⅛	6⅞
Ford Motor Cr ⅛ 91	200			7⅞
Fuji Intl ⅛ 96	200	100⅛	0	6⅛
GW O/S Fin ⅛ 94	100			6⅛
Grindlays ⅛ 94	100	100⅛	−0⅛	6⅛
Ireland ⅛ 88	50			9⅞
Ireland ⅛ 93 £	50	100⅛	−0⅛	10⅞
Ireland ⅛ 94	300	100⅛	−0⅛	6⅞
Ireland ⅛ 98 £	100	100	−0⅛	10⅛
Ireland ⅛ 97	300	100	0	5⅞
Ireland ⅛ 99	300	100⅛	0	6⅛
Italy ⅛ 94	1bn	100⅛	0	6⅞
Italy ⅛ 05	500	100⅛	0	6⅛
Lincoln S & L ⅛ 89	100	100⅛	+0⅛	7⅞
Lloyds Bank ⅛ Perp	750	100⅛	+0⅛	7⅛
Lloyds Euro ⅛ 93	200	100⅛	0	7⅞
Lloyds Euro ⅛ 04	250			6⅛
Malaysia ⅛ 93	500	99⅛	−0⅛	6⅛
Malaysia ⅛ 94	600	98	−0⅛	7⅛
Man Hanover ⅛ 97	200	99⅞	0	6
Marine Midland ⅛ 94	125	100⅛	0	6⅞
Marine Midland ⅛ 96	125	100	0	6⅛
Marine Midland ⅛ 09	150	100⅛	+0⅛	6⅛
Mellon Bank ⅛ 96	250	100	0	6⅞
Midland Int ⅛ 99	209	100	−0⅛	5⅞
Mitsui Fin ⅛ 96	100	100⅛	+0⅛	5⅞
Morgan Grenfell ⅛ 94	50	100⅛	0	6⅞
Mtg Intermed ⅛ 10 £	50			10⅞
Nat Bank Canada ⅛ 91	50			7
NatWest ⅛ 05	400	100⅛	+0⅛	6⅛
NatWest Fin ⅛ Perp	300	100⅞	+0⅛	7⅞
Neste Oy ⅛ 94	100	100	0	6⅞
New Zealand 2001	350	100⅛	0	6
NZ Steel Corp ⅛ 92	225	100⅛	0	7⅛
Offshore Min ⅛ 91	150	100⅛	0	7⅛
Oster Land Bank ⅛ 99	100	100⅛	0	6⅞
Portugal ⅛ 92	100			7⅞
Renfe ⅛ 91	100	100⅛	0	6⅛
Royal Bk Canada ⅛ 05	350	100	0	6⅛
Sanwa Int Fin ⅛ 92	150	100⅛	+0⅛	6⅛
Security Pac ⅛ 97	250	99⅞	0	6⅛
Shawmut Corp ⅛ 97	50			6⅞
SNCF ⅛ 93 £	75	100½	−0⅛	10⅛
Soc Generale ⅛ 97	400	100⅛	+0⅛	6⅛
Soc Generale ⅛ 94	250	100⅛	+0⅛	6⅞
Spain ⅛ 99	500	100⅛	0	7⅞
Spain ⅛ 97	250	100⅛	0	6⅞
Standard Chart ⅛ 94	200	100⅛	0	6⅞
Sumitomo Trust ⅛ 94	100	100⅛	0	6⅛
Sweden ⅛ 99	500	100⅛	0	6⅞
Sweden 90	709	100⅛	0	6⅛
Taiyo ⅛ 04	100	100⅛	−0⅛	7⅞
Thailand ⅛ 05	80	98⅛	+0⅛	6⅛
Tokia Asia ⅛ 99	150	100⅞	0	7⅞
Toyo Trust Asia ⅛ 99	100	100⅞	0	7⅞
UBAF ⅛ 90	85			7
Union Bank-Norw ⅛ 99	50			6⅛
United Kingdom 92	2.5bn	100⅛	0	6⅛
Wells Fargo ⅛ 94	150			5⅞
Wells Fargo ⅛ 96	80			6⅛
Yokohama ⅛ 94	100	100⅛	0	6⅞
Yokohira Int ⅛ 94 £	75	100	0	11⅛

CONVERTIBLE BONDS	Issued	Price	Chg. on week	Prem.
Ajinomoto 3 99	120	242⅛	−12⅛	0.04
Ajinomoto 5⅛ 96	40	328½	−15½	−4.36
Best Denki 5⅛ 97	15	294	+12	−0.11
Canon 7 97	80	250½	+5⅛	−5.27

YEN, LUXFR, GUILDER AND CANADIAN DOLLAR STRAIGHTS	Issued	Price	Chg. on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Br Col Tele 12⅛ 89	70	104⅛	−0⅛	11.54
Farm Cred Corp 12⅛ 90	75	107⅛	−1⅛	10.33
Kredietbank 12 92	75	108	−1⅛	10.22
Long Term Cred 11⅛ 90	75	104	−1⅛	10.39
Montreal City 12⅛ 91	80	107⅛	−2⅛	10.32
New Brunswick 12 95	75	110⅞	−2	9.96
Nova Scotia 11⅛ 95	100	107⅛	−2⅛	10.18
Quebec Hydro 14 91	75	108⅛	−0⅛	11.94

ECU STRAIGHTS	Issued	Price	Chg. on week	Yield
ABN 9½ 92	100	104⅛	−0⅛	8.17
Australia & NZ 10⅛ 91	50	105½	+0⅛	9.10
Austria 10⅛ 93	100	112⅛	−0½	8.07
BFCE 9⅛ 92	100	107⅛	−0⅛	7.39
Cred National 10⅛ 94	50	113⅛	+0⅛	8.17
Cred National 11⅛ 91	50	110	+0⅞	8.29
Denmark 10⅛ 91	75	105	+0⅛	9.01
Ebco Intl 10⅞ 89	85	104⅛	+0⅛	8.41
EEC 11 93	50	102	+1⅛	10.77
EEC 11⅛ 91	50	0		
EEC 11⅛ 93	70	102½	+0⅛	10.01
Euro Invest Bk 9⅛ 95	200	107⅛	+0⅛	8.01
Euro Invest Bk 10⅛ 94	130	112⅞	0	7.74
Euro Invest Bk 10⅛ 89	50	105	−0⅛	7.58
Euro Invest Bk 10⅞ 94	100	111½	−0⅛	8.54
Euro Invest Bk 11⅛ 92	75	112⅛	0	8.46
Euro Invest Bk 11½ 93	50	110	+1½	9.06
Euro Invest Bk 11⅛ 96	50	0		
Genfinance 11 90	70	109	+1⅞	8.25
Giro Vienna 10½ 93	60	111⅛	−0⅛	8.34
GTE Finance 10⅛ 92	50	107½	−0⅛	8.55
Ireland 10⅛ 95	50	108⅛	+0⅛	8.74
Italian Govt 10⅛ 92	600	111⅛	+0⅛	8.04
Italian Treas 11½ 90	800	110	+0⅞	8.15
Italy 9⅛ 89	200	103⅛	+0⅛	7.76
Kreditbank L 9⅛ 92	75	105	0	8.17
Morgan City Tst 8½ 90	100	103	+0⅛	7.66
Nippon Cred Bk 11 91	50	105½	−0⅛	9.45
Post Och Kred 10⅞ 92	50	106½	0	12.10
Royal Bk Can 10.5 89	85	104½	+0⅛	9.04
SNCI 10⅞ 94	80	111	+0⅞	8.81
Swedish Export 11 89	57	0		
West LB 10⅛ 91	50	103	−1	9.86
World Bank 10⅛ 88	100	105	0	7.97

AUSTRALIAN DOLLAR STRAIGHTS	Issued	Price	Chg. on week	Yield
Comm Bk Aust 12⅞ 90	200	95⅞	+0⅞	14.77
Nat Aust Bk 12½ 89	40	94½	0	15.83
PIBA 12⅛ 89	50	93½	0	15.06
State Bk NSW 12⅛ 89	40	95⅛	0	14.88

STERLING STRAIGHTS	Issued	Price	Chg. on week	Yield
BAT Intl 10⅛ 91	100	98	+0⅛	11.30
Denmark 10⅛ 89	75	97⅞	+0⅛	11.77
EEC 11⅛ 94	50	100⅛	−0⅛	11.31
Europarat 11½ 92	50	99⅛	−2⅛	11.72
Euro Invest Bk 10⅛ 92	50	97⅛	−0⅛	11.22
Finland 11⅞ 88	50	101⅛	−0⅛	11.24
Grand Met Fin 10⅞ 90	50	97⅛	+0⅛	11.81
ICI 10⅛ 92	75	96	+0⅛	11.82
Int-Amer Dev 11⅛ 91	80	99⅞	−0⅛	11.35
Int Stand Elec 11⅛ 89	50	94⅛	+0⅛	11.82
Ireland 11⅛ 94	50	99⅛	+0⅛	11.65
New Zealand 10⅛ 89	100	97⅞	+0⅛	11.76
SNCF 11⅛ 94	60	99	−0⅛	11.44
World Bank 10⅛ 89	100	96⅞	+0⅛	11.13
World Bank 10⅛ 89	50	99	+0⅛	10.97
World Bank 11 94	50	98	−0⅛	11.36

EQUITY WARRANTS	Expiry date	Price	Chg. on week	Prem.
Casio Computer	6/3/89	0		
Credit Suisse	31/5/88	101	−1	−39.37
IC Industries	15/6/88	44½	−1½	−1.79
International Pirelli	14/6/88	0		
Pasco Corpn	6/3/91	0		
Philips Gloeilampen	15/7/88	0		
Prudntl O/S Fndg	15/12/88	310	−20	0.00
SBC Finance	17/9/90	0		
Seagram Co	15/9/88	23½	−0⅛	−15.78
Swissair Finance	19/9/88	0		
Swiss Bank Corp	20/12/88	0		
Swiss Volksbank A	1/12/88	0		
Union Bk Switz A	30/11/89	0		

BOND WARRANTS	Expiry date	Price	Chg. on week	Ex. yield
Aegon Ins 11⅛ 91	15/2/88	92	+2	8.72
Coca Cola 11⅛ 91	28/11/88	120	−3½	8.40
Dai-Ichi K 6½ 96 B	1/1/96	14½	0	6.28
Du Pont 13½ 89	25/8/86	124½	0	8.22
Eksportfinas 13⅛ 89	15/9/87	127⅛	−10	8.20
Holland Air 11⅛ 91	10/8/88	50⅛	−1⅛	9.73
Ind Bk Jpn 12⅞ 91	5/10/89	160	0	8.79
Mitsbishi Fn 12⅛ 91	8/11/89	0		
J P Morgan 11⅛ 90	16/8/87	8½	−8	8.09
Texaco Cap 12⅛ 92	1/9/87	50	+1	11.54
Wils Frgo A 12⅛ 91	27/12/88	157½		8.73
Weyerhsr C 11½ 90	15/11/87	85	+5	8.46

STRAIGHT BONDS: Yield to redemption of the mid-price. Amount issued is expressed in millions of currency units except for yen bonds, where it is in billions.

FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate (‡ three-month; § above mean rate) for US dollars. C.cpn=current coupon.

CONVERTIBLE BONDS: US dollars unless indicated. Prem=percentage premium of the current effective price of buying shares via the bond over the most recent share price.

WARRANTS: Equity warrant prem=exercise premium over current share price. Bond warrant ex yld=exercise yield at current warrant price.

Closing prices on October 3.

INTERNATIONAL CAPITAL MARKETS AND COMPANIES

Peter Montagnon interviews Eugene Rotberg, the World Bank's treasurer.

Moving towards a simpler way of funding

THE WORLD BANK has long been established as the largest single borrower on international bond markets, but now, according to Mr Eugene Rotberg, its treasurer, its paper is becoming scarce.

In its current fiscal year ending June 30, 1987 the bank plans to borrow only $9bn, he said in an interview at last week's annual meeting in Washington. This is down on last year's $10.6bn, and the lowest borrowing total since 1982.

The reasons for this decline are well known. They reflect a parallel slowdown in disbursements by the bank to its developing country clients as well as its record level of liquidity which stands at just over $20bn or 56 per cent of outstanding loan commitments at the end of 1985-86.

This has constrained borrowing at a time ironically when the market can scarcely be more favourable.

"We would like to borrow large sums at the present rate," Mr Rotberg said. The problem is that there is no need to do so, and one aim of the bank at present is to reduce its liquidity to around 50 per cent of loan commitments. Even then it will still be above the basic target level of 40 to 45 per cent.

Temporary decline

Mr Rotberg believes that the decline in the bank's borrowing requirement may be only temporary. Towards the end of the current fiscal year its needs may start to rise again as fresh loan projects are put on its books.

For the time being, however, the World Bank is in a very strong position vis-a-vis the market. It does not need to develop fancy new instruments to titillate the jaded appetite of investors. This year's borrowing programme will concentrate on classic, long-dated plain vanilla instruments. Mr Rotberg says the World Bank was "constantly importuned" with offers of finance during the annual meeting last week, but "we want 20, 30 and 40-year fixed-rate funds. We are rejecting most of everything else."

Meanwhile, the bank's efforts at innovation for which it is well known in financial markets are now being directed to the management of its liquidity. It plans soon to propose to its board a new scheme which will dramatically change the way it's liquid assets are invested.

At present it is not permitted to invest in securities with a life to maturity of more than five years and three months. If the changes go through there will be no such restriction.

This is because the bank would move to a new concept whereby the duration of its liquid assets portfolio would be limited to a range of three months to four years.

Duration is a technical market term. It is basically the weighted average maturity of the investment portfolio calculated on a cash flow basis. It gives, for example, different maturity values to zero-coupon and fixed-rate bonds expiring on the same date because the entire return on the former is concentrated at the end of its life.

Duration concept

Moving to a duration concept will greatly enhance the scope of the bank in managing its liquid assets as it will be able to buy high yielding long-dated instruments provided the purchases are matched with an equivalent amount of short-term paper.

The bank is also to seek permission to use interest rate futures and options in managing its liquidity, though initially only on dollar and sterling instruments. Further down the road it is also looking at using the futures and options market to provide protection for its clients on the currency and interest rate risks they run when borrowing from the bank.

In the long run all this means that its basic approach to financial management can become simpler. Mr Rotberg calls this "unbundling innovation." Instead of lumping all sorts of bells and whistles together in one bond issue, these innovations, which are basically designed as hedging mechanisms, can be separated out and dealt with at a different stage of the process with counter parties to whom they are a natural part of their everyday business.

Mediobanca in public attack on Montedison

BY JOHN WYLES IN ROME

MEDIOBANCA, Italy's most powerful merchant bank, yesterday questioned the financial judgment of Montedison management on the eve of the launching of a L947bn ($685m) rights issue by the chemical, energy and health care group. The issue is one of the largest ever made on the Milan bourse.

In an unprecendented public attack on the management of a company in which it has an important shareholding, Mediobanca accused Montedison's chairman, Mr Mario Schimberni, of paying an "excessive" price of L740bn for the 12.4 per cent of La Fondiaria, the Florence-based insurance company, which the Montedison holding company, Iniziativa Meta, purchased in August.

This accusation was a major feature of a weekend publicity blitz by the Milan-based merchant bank explaining its unremitting hostility to the share purchase which raised Montedison's stake in La Fondiaria to 37.4 per cent.

Mediobanca appears to have spared no effort to embarrass Mr Schimberni immediately ahead of Montedison's one for two share offering which is open from today until November 4. The issue was originally designed to finance the projected but still uncertain takeover of Fermenta, the Swedish biotechnology concern.

At the centre of the weekend manoeuverings was the leaking to the Milan newspaper, Il Giornale, of a letter to Mr Schimberni from his main adversary, Mr Enrico Cuccia, the gritty 78-year-old Mediobanca director

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book Runner	Offer yield %
U.S. DOLLARS							
Ebara Corp. ¶	70	1991	5	(3¾)	100	Yamaichi Int. (Eur)	*
ICN P'maceuticals §	65	2001	15	(6½–¾)	100	J. H. Schroder Wagg	*
Ishihara Sangyo ¶†	70	1991	5	3¾	100	Yamaichi Int. (Eur)	3.750
Gutehoffnungs ‡	30	1997	6	8	101⅞	Nomura Int.	7.251
NHK Spring ¶	50	1991	5	(3¾)	100	Nomura Int.	*
ECSC ‡	75	1989	3	7	101	Citicorp Inv. Bank	6.622
Citicorp ‡	200	1993	7	8¼	100¾	Morgan Stanley	8.228
Mony Funding ‡	150	1996	10	8¼	99½	CSFB	8.326
Shikoku Elec. Power ‡	70	1993	7	8¼	101½	Nomura Int.	7.939
Tokai Bank §	100	2001	15	(2¾)	100	Tokai Int.	*
TDK Corp. ¶	150	1991	5	(3¾)	100	Nomura Int.	*
Philip Morris ‡	100	1991	5	7½	100⅛	UBS	7.285
Daiichi Oil & Nat. Gas K‡	50	1991	5	8	101½	IBJ Int.	6.818
IBM ‡	150	1993	7	7⅝	100⅜	SBC	7.601
Shinagawa Fuel ¶	40	1991	5	(3¾)	100	Yamaichi Int. (Eur)	*
Fons Credit ‡	100	1993	7	7½	100⅛	Morgan Guaranty	7.400
Okobank (c)†‡	100	1991	5	⅛	100	Morgan Stanley	-
Barrick Resources (4)‡	50	1991	5	5¼	100	Banque Paribas	5.250
D-MARKS							
Denmark ‡	750	1991	5	5⅞	100	WestLB	5.875
Denmark ‡	250	1993	7	6¼	100	WestLB	6.250
SWISS FRANCS							
American Eagle Pet. §‡	30 max	1994	-	6½	100	Chemical NY Cap. Mkt	6.500
City of Vienna ‡	200	1996	-	4¾	99¾	Kreditbank (Suisse)	4.782
Gun-Ei Chemical **§‡	100	1992	-	1¾	100	SBC	1.750
Atsugi Nylon **§‡	110	1991	-	1	100	SBC	1.000
Prov. New Brunswick ‡	100	2006	-	5¼	100	UBS	5.250
Y-E Data **§	60	1992	-	(1)	-	UBS	-
Japan E. C'puter **‡	50	1993	-	5	100	Bqe Paribas (Suisse)	5.000
Nichimo Corp. **§	50	1992	-	(1)	-	Handelsbank	-
Furukawa Co. **¶	80	1991	-	(1¾)	-	Credit Suisse	-
Autn. Vasco-Aragonesa **‡	100	1992	-	5	100	Credit Suisse	5.000
Japan Finance Corp. ‡	100	1996	-	4⅜	100	UBS	4.375
Harma Int. Fin. ‡	150	1996	-	5½	100	Credit Suisse	5.500
Japan Highway ‡	200	1996	-	4¾	100	Bqe Paribas (Suisse)	4.750
Int. Hydron Corp. §	30 max	1994	-	(5¼)	(100)	Bqe Gutzwiller, K.R.	*
FRENCH FRANCS							
TVO (Finland) (a)‡	500	1991	5	8⅝	99¾	CCF	8.438
YEN							
Procter & Gamble ‡	23bn	1993	7	5¼	101	Daiwa Europe	5.574
Norway ‡	60bn	1991	5	5½	101½	Nomura Int.	5.174
BNP (b)(d)‡	15.17bn	1996	10	6	100⅛	Nikko Secs. (Europe)	5.855

* Not yet priced. ‡ Final terms. ** Private placement. § Convertible. † Floating rate notes. ¶ With equity warrants. ∯ With bond warrants. ‖ Currency linked. (a) Coupon of 8¼% first five years, extendible to 2001 with coupon reset every five years. (b) Coupon payable in NZ dollars. Redeemable 80% in yen, 20% NZ$. (c) ⅛ over 6m Libor. (d) Convertible into gold after first year. Note: Yields are calculated on AIBD basis.

Cheung Kong sells Hilton to utility for HK$1bn

BY KEVIN HAMLIN IN HONG KONG

CHEUNG KONG Holdings, Mr Li Ka-Shing's flagship company, has sold the Hongkong Hilton Hotel to Hongkong Electric Holdings, a utility company in which Mr Li holds a controlling 24 per cent stake, in a deal worth HK$1.03bn (US$132m).

To finance the deal, Hongkong Electric is issuing 103m new shares at HK$10 each, representing 7.5 per cent of its total issued shares. The price represents a 7.5 per cent discount on the market value of HK$10.60 a share at Friday's trading close.

Hutchison Whampoa, the trading company in which Cheung Kong holds a controlling 35.1 per cent stake, is to buy 28m of the new shares to maintain its equity stake in Hongkong Electric. Mr Li is taking an entitlement of 10m shares and the balance, will be distributed through private placements.

It was reported that 25 per cent of the shares will be offered to London institutions with the remainder placed in Hong Kong.

Cheung Kong is also gaining an extraordinary profit of $780m on the book value of the hotel, which it bought in 1977.

● News Corporation, Mr Rupert Murdoch's media group, and the TNT international transport concern expect soon to finalise acquisition of a 50 per cent stake in Hong Kong-based Regent Hotels International, which operates 18 five-star hotels in 10 countries, Reuter reports.

Wah Kwong ships released

MARINE MIDLAND Bank and Bank of Montreal, two creditors of the ailing Wah Kwong Shipping and Investment Company (Hong Kong), have agreed to release two of the group's ships, Reuter reports from Hong Kong.

The group said the banks have signed to participate in an agreement to restructure Wah Kwong's debt of more than US$850m, and agreed to release the 32,680 dwt Brazil Venture and the 32,587 dwt Venture Star, which were arrested last week.

About two-thirds of Wah Kwong's 46 creditors have already given support to the group's restructuring, with one more creditor agreeing to sign the agreement at the weekend.

Wharf Holdings restructuring in motion

By Our Hong Kong Correspondent

THE EXPECTED restructuring of Wharf Holdings, the property, trading and hotel group, was set in motion over the weekend when World International Holdings (WIH) announced it had bought Hong Kong Realty and Trust's (HKRT) controlling interest in the Lane Crawford department store chain for HK$691.9m (US$88.8m).

The move comes less than one week after Sir Yue Kong Pao stepped down as chairman of both Wharf (previously known as the Hong Kong Kowloon Wharf and Godown Company) and of WIH.

As WIH is the ultimate parent of Wharf, and Wharf has a majority stake in HKRT, an investment holding company, there is no change in the ultimate control of Lane Crawford.

WIH is paying an extremely generous HK$22 each for 12.72m A shares in Lane Crawford and HK$2.20 each for 187.32m B shares, representing a 58 per cent premium on A shares and 73 per cent on B shares, compared with trading prices immediately prior to the suspension on Hong Kong's stock exchange on September 30.

ERT seeks to accelerate repayment of rest of debt

BY DAVID WHITE IN MADRID

UNION EXPLOSIVOS Rio Tinto (ERT), Spain's leading chemicals group, has begun talks with Spanish and foreign creditor banks to try to accelerate repayment of the remainder of its debt.

The talks are aimed at lifting some of the constraints placed on ERT under a rescheduling agreement signed in 1984.

A senior ERT official said the company was holding individual contacts to prepare the ground for renegotiating terms and repayment shcedules.

The refining and chemicals group reduced its losses to Pta 708m ($5.2m) last year from Pta 10.35bn in 1984, and expects to end this year firmly in the black, despite the impact of lower oil prices on its sales outlook. A Pta 35bn divestment programme to help repay its debt was completed a year ahead of schedule and the outstanding debt—some Pta 40bn—has been brought down to the level originally planned for the end of 1987.

The central issue in the negotiations is that of the "participative credits" which banks accepted in lieu of interest payment and foreign exchange losses. Amounting to a further Pta 40bn, these indefinite credits carry interest of between zero and 4 per cent but give creditors a priority claim on any profits. ERT wants to swap them for ordinary debt equivalent to part of the amount. Bankers said the company had proposed 10 per cent but they had asked for 40 per cent.

Royale Belge acquires Ippa

ROYALE BELGE, the Belgian insurance group, has announced a significant expansion of its financial interests with the acquisition of Ippa, the 10th largest banking group in the country, Quentin Peel reports from Brussels.

In exchange, the financial and industrial holding company Sofina, whose two major shareholders are Societe Generale de Belgique and the Boel group, will become the largest single shareholder in Royale Belge.

The deal means that the insurance company is acquiring the two-thirds of Ippa that it does not already own from Sofina, which will be issued 140,000 shares in Royal Belge in return. At current market prices for Royale Belge shares, that puts a value of some BFs 3.78bn ($91.3m) on the transaction.

Why are other newspapers so desperate to strangle us at birth?

TOMORROW MORNING A NEW newspaper called *The Independent* will be born.

If it is going to survive in this rough old world it will need to emerge fully grown and quite capable of looking after itself.

We have no doubts. For not only will *The Independent* arrive already 30 days old (more of that later), but it will have had an unusually rough pregnancy to toughen it up (no jokes about going into labour: we're politically independent).

The Independent won't be an only child, so to speak. It will take its place in the family of daily newspapers that is known rather appropriately as The Heavies.

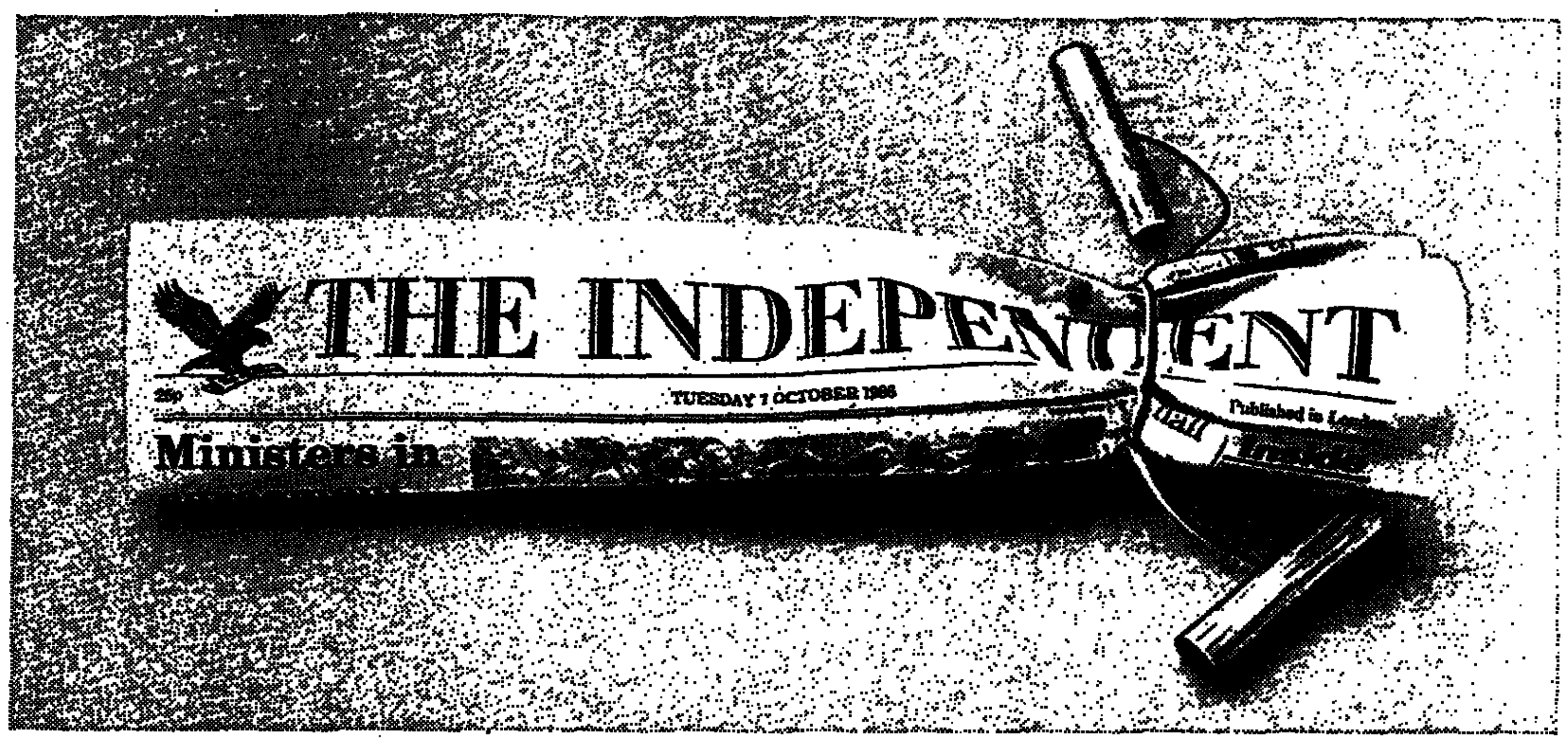
These siblings do appear to be rather unhappy about the new arrival, perhaps understandable since the last birth in this family was 131 years ago. Quite simply they're rather scared our baby is going to get all the attention.

Certainly, someone is trying terribly hard and terribly unsuccessfully to prevent the birth of *The Independent* in the first place.

Only recently some of our journalists were offered their old jobs back on other papers with a 25% increase in their present pay. None went, of course.

Then we were prevented from using some of the newspaper distribution services used by all the other national newspapers. That hasn't stopped us either.

There's even been an attempt to force us out of advertising on television. The 40 seconds that we want to use on Monday night



during News at Ten usually goes for around £35,000 (yes, it is a lot of money, but an awful lot of intelligent people watch the news).

However, this particular piece of air-time has recently become very popular indeed. Suddenly there are a lot of people out there trying to advertise their papers at exactly the same time as ours. And since only one newspaper is allowed in each commercial break, the price has been pushed up to a record £51,000.

Bullying, censorship or just good business? Whatever you call it we've still come out bloodied but victorious.

Now you might be thinking that all this skulduggery is just a bit extreme. After all, new papers have come and gone before, haven't they?

Why is everyone so worried about this particular newspaper? Well, this one is different and the anxiety of the other papers only goes to prove it.

Remember the bit about *The Independent* emerging 30 days old? Here's the explanation. Over the last month or so we've produced 30 dummy issues, most of them complete except for readers' letters and share prices.

Many of these papers were sent to broadcasters, advertising agencies and research groups to gauge their reactions.

It's no surprise to find that the editors and proprietors of other newspapers managed to get their hands on a few copies as well. So it's no wonder they're worried, they've seen *The Independent* already.

Doubtless it won't have escaped their attention that *The Independent* is rather different from their own newspapers. For a start it's written by and for people who are dissatisfied with the daily papers available at the moment.

They'll also have recognised a good few writers on our paper as people they used to employ. The style of writing, though, they may not recognise, as these journalists are now producing fact-driven copy unfettered by the need to toe a party line.

And they'll have noticed that we're producing a paper that complements television and radio news rather than just repeating it.

So are their fears really justified? Tomorrow morning, you can decide for yourself.

The Independent. It is. Are you?

UK COMPANY NEWS

T & N poised to renew AE bid

BY DAVID GOODHART

Turner & Newall, which failed by just 1 per cent to take control of AE on September 12, is this week poised to renew its bid.

The company hopes that the Takeover Panel investigation into AE share dealing will find evidence of a failure to disclose purchases by an associate and, by way of punishment, rule that Turner & Newall does not have to wait the usual 12 months before rebidding.

If that is the Panel's conclusion, T&N has indicated that it is almost certain to bid again. However, Hill Samuel, advisers to AE, believe that a Panel conclusion is highly unlikely next week and may be "several weeks" away.

Hill Samuel has also gone onto the offensive in the rumbling argument over AE's narrow escape by alleging that several million AE shares were bought by associates of T&N at more than the 240p cash alternative — which would be a serious infringement of Panel rules.

T&N said this was a "scurrilous" allegation and the acquisitions had been made by arbitrageurs with which it had no association.

Further, Hill Samuel claims that the T & N merchant bank, N. M. Rothschild, probably lost the bid by closing on the 58th day and not retaining the option to extend for another 48 hours; and has subsequently tried to compensate by keeping the AE controversy alive.

Nevertheless, Rothschild did reveal yesterday that Hill Samuel had sent it an abridged version of the AE share register with 12 names obliterated.

An accompanying note explained that "known supporters of AE" had not been included. Rothschild said that the 12 excluded names accounted for the 10m AE shares bought in the final days of the bid and then sold by Cazenove at a significant loss a few days after the close.

Although about 4m of those shares were disclosed as acquired by AE associates, the ownership of the rest has not been disclosed and Rothschild is asking: "If there is nothing to hide why have the names not been revealed?"

The issue for the Panel is whether there was any kind of indemnity arrangement between AE and its unknown supporters which, under Panel rules, would have made them associates and therefore liable to disclosure.

If the Panel concludes that AE does not have a case to answer, Rothschild and T&N are unlikely to give up. The next move would probably be to call upon AE itself to investigate share ownership and dealings in the company which T&N can insist upon under section 214 of the Companies Act as a shareholder holding more than 10 per cent of the equity.

T. Warrington cuts loss

Thomas Warrington & Sons, general building and public contractor, has increased its turnover from £6.93m to £7.33m and reduced its loss from £391,000 to £195,000 in the first half of 1986.

The improving trend was expected to continue over the full year, the directors stated. The better results stemmed from implementation of measures to increase the efficiency of cost control and reporting.

As competition in the contracting industry remained acute, the directors had taken steps to expand the activities both in terms of geography and scope.

They had identified a number of potential acquisitions, both corporate and property, which would enhance the rent roll and profitability should they come to fruition.

Mr Graeme Jackson had joined the board as chief executive, and would spearhead the company's move into property development and related fields.

NORTHERN AMERICAN Trust will repay on October 7 its US$5m three months fixed loan and borrow a further $5m for one month.

FLEXTECH — The syndicate offering to acquire 2.68m ordinary shares in the company said it had received acceptances for a total of 7.57m. The scaling down provisions would apply.

SHARE STAKES

Changes in company share stakes announced over the past week include:

Dee Corporation — Director Dag Monk has exercised option to acquire 1.25m ordinary shares.

Allied Textile Companies—Director J. R. Corrin acquired 25,000 ordinary at 260p and beneficial holding now 935,008 shares (4.266 per cent).

Bestwood—Chairman A. A. E. Cole acquired a further 267,257 ordinary and holds 660,938 (9.23%).

TI Group—C. Lewington, chief executive, acquired £25,000 ordinary stock at 414p per £1 unit.

Amalgamated Financial Investments—Director C. J. J. Blyth acquired 125,000 ordinary at 28½ and holds 150,000 (0.76%).

Greenwich Resources—Robertson Research International has sold a further 260,000 ordinary and reduced hold to less than 5%.

London Trust—Amellia Holdings Partners have a holding of 7m shares (7.6%).

Pavilion Leisure—E. Carmell owns 127,500 shares (10.6 per cent).

Willis Group—R. L. Marsh reduced beneficial holding by sale of 150,000 shares (2.08 per cent) at 124p. Holding now 852,523 shares (11.80 per cent).

Willaire Systems — E. A. Roscoe, chairman, has exercised option to acquire 3,142,500 ord held by Cazenove Nominees.

British Mohair — Lowrie Group purchased 25,000 ordinary on September 18 and 100,000 on September 24. It now has an interest of 2.39m ord (18.03 per cent).

Architects to join USM via placings

By Alice Rawsthorn

A DUO of architects, one Whinney Mackay-Lewis, based in the City of London, the other Clark Tribble Harris & Li, a US practice, are planning to join the Unlisted Securities Market through placings of their shares.

Theoretically, architects have been able to go public since 1981, when members of the profession were allowed to form limited liability companies rather than partnerships or sole practices. So far only one, D. Y. Davies, has opted to do so. It joined the USM in April and its market capitalisation has since risen from just under £2m to £2.5m.

Whinney Mackay-Lewis was formed in 1884 and has since developed a diversified practice embracing interior design, space management, planning, graphic design and fine art consultancy.

Its work is rooted in the City. Recent projects have included the design of trading floors for the London International Financial Futures Exchange and for the securities group, Barclays de Zoete Wedd. In recent years it has benefited from the flow of overseas finance houses into the City in preparation for the deregulation of the London markets.

Whinney Mackay-Lewis is expected to release 25 per cent of its equity in order to raise around £2m and to be valued at £8m after its placing.

Clark Tribble Harris and Li is the latest in the long line of US companies intending to take advantage of the less rigorous regulation of the London markets by staging its flotation on the USM. It plans to place around 25 per cent of its equity, through stockbrokers, Savory and Milln, probably in November.

The company is based in North Carolina but has offices in New York and Washington. It has undertaken work for a series of blue chip companies including AT & T, IBM and Saatchi and Saatchi.

Nationwide Leisure acquisitions

Nationwide Leisure has exchanged contracts for acquisitions for a maximum £4.3m cash, to be funded by a rights issue, details of which will be published in a few weeks.

Nationwide is purchasing a group of private nursing and residental homes and sheltered housing developments in the Midlands. Also being acquired is a development property, with planning permission, and part of another property for conversion.

The deal is subject to several conditions, including the auditors confirming that pre-tax profits for the year ended August 31 1986 were at least £500,000 on the businesses being acquired.

Charles Batchelor interviews Barrie Stephens, managing director of acquisitive Siebe

The brain behind the battle chart

WITHIN WEEKS of joining Siebe Gorman, the diving equipment group, as general manager in 1963 Mr Barrie Stephens, then 35, was faced with making half his workforce redundant. The rest walked out in protest and questions were asked in Parliament.

"We had a diminishing order book and a machine shop which was spitting out metal," Mr Stephens recalls. "If we had gone on like that our stock would have been spilling out on to the street. That was a salutary start.

"I'd been headhunted and I didn't anticipate that the company was exposed to problems of such a magnitude."

Thanks to its new general manager's prompt action the company survived and Mr Stephens now runs a successful £372m turnover group, renamed Siebe. It is currently in the middle of a £317m agreed takeover bid for Robertshaw Controls, a large US manufacturer of automatic control equipment.

The Robertshaw bid is Siebe's most ambitious in a rapid succession of acquisitions and will test to the utmost the company's skills at integrating a large overseas business in its existing framework. It is another step towards Mr Stephen's goal of creating a group with the size and muscle to take on the tough international competition.

The company has a long and illustrious past. Founded in 1819 by Augustus Siebe, an Austrian army officer and engineer, Siebe long dominated the market for diving equipment. Under Mr Stephens' control it has expanded to take in compressed air equipment, electronic controls, safety and life support gear, filters, lubrication systems and garage equipment.

If proof were needed of Mr Stephens' commitment to the company he turned round — or his dominance over it — this can be found in the 23-year record of corporate performance at the back of it latest annual report.

Most companies make do with a five- or ten-year record of their key financial figures. Siebe traces its history since the arrival of Mr Stephens. Profits have risen from £34,000 to £53m and turnover has gone from £1.4m to £372m while the acquisition of Robertshaw would take sales to more than £800m.

"It's not meant to be conceited," claims Mr Stephens. "That is our battle chart."

A stocky Welshman with a rugby player's build, Mr Stephens combines a pugnacious vocabulary and a clear relish for the corporate scrap with a disarmingly boyish belief in the future of his company.

"We are a company to watch," he enthuses. "Siebe is a lucky company. I have always said it. We have never been short of opportunities and we have always seized them."

His ambitions and attitudes to business were fashioned by a family commitment to hard work and 11 years in the US which exposed him to the bracing climate of American management methods.

The only child of a Gower butcher and cattle dealer, the young Stephens was sent off at the age of nine to Christ College, Brecon, a noted rugby-playing Welsh public school.

From there he went on to read mechanical engineering at Manchester University. After call-up and a commission in the Royal Welsh Fusiliers he emigrated to Canada where prospects seemed brighter than in post-war Britain.

Leaving Canada for the US in 1950 he had spells with General Dynamics and Barden Corp, both large US defence contractors. Barden transferred him to Europe in 1961 as operations director and in late 1963 he was head-hunted by Siebe Gorman.

He has been compared with some of the youthful entrepreneurs—such as Mr Greg Hutchings of F. H. Tomkins and Mr Nigel Rudd of Williams Holdings — who have begun fashioning engineering mini-conglomerates through a spate of acquisitions in recent years.

Apart from a shudder at the thought of Siebe being seen as a conglomerate, Mr Stephens, at 58, does not fit the age or career profile of these young Turks.

It is true that Siebe has launched on an ambitious takeover programme over the past five years, but this period was preceded by a decade and a half during which the group was slowly rebuilt and its management strengthened.

An early acquisition in 1972, of James North, a British manufacturer of protective clothing, proved to Mr Stephens that he could carry out successful takeovers, but steady internal growth marked most of the 1970s.

In 1979 the oil crisis hit: Siebe cut is workforce from 3,300 to 1,800, and sat out the recession for the next three years.

In 1981 the hatches came off and Siebe bought Rieth, a German manufacturer of power station equipment. This was followed by a rapid succession of further acquisitions, most notably of CompAir, the British compressed air equipment group bought for £78m in 1985.

The aim of all this activity was to give Siebe the size and breadth to be able to afford the best machine tools and the best managers to take on international competitors. These are formidable and include Atlas Copco and Ingersoll Rand in the compressed air business, and Honeywell, Eaton Corp, Siemens and Toshiba in the field of controls.

The City has been prepared to back Mr Stephens and his team in most of his ventures, though a £230m bid for APV Holdings, the process engineer, failed last June.

Siebe was unable to convince the outside world it could do a better job than APV's new management. In what was a particular blow for Siebe, APV was able to argue its specialist skills would not be enhanced by coming under the control of an engineering conglomerate.

The Robertshaw acquisition would more than double Siebe's turnover and stretch to the full its resources to absorb the newcomer. Mr Stephens says, however, that he already has business plans for the US group, and its activities will be absorbed within the existing nine divisions.

Siebe runs a small headquarters with a staff of 42 at Windsor, Berkshire. It operates a decentralised structure with its 63 subsidiaries organised in nine divisions, headed by chief executives whom Mr Stephens dubs "the barons—a very hard-nosed bunch."

He meets his chief executives at least four times a year but is in weekly telephone contact. There is also a heavy schedule of visits to group subsidiaries in the UK and overseas with a help of a colour-coded diary which he meticulously keeps up himself. (Yet unlike the heads of many rapidly expanding companies, Mr Stephens insists he has plenty of time for leisure, including riding and his garden.)

The City is taking a wait-and-see attitude to the Robertshaw deal. It has been impressed in the past by Siebe's ability to profit from acquisitions. But analysts are concerned at the price it is paying for Robertshaw and at the limited opportunities to improve margins. They also feel Mr Stephens should have spent more time explaining his ideas to the investment community.

"Investors have become a bit more suspicious about the acquisitions being undertaken by some of the emergent holding companies," commented one.

Trevor Humphries

Mr Barrie Stephens, managing director of the Siebe group, beside the chromium plated diving helmet made of spun copper. This is a design still in use today at up to depths of 150 feet.

Strong & Fisher bid rejected

Garnar Booth has now formally rejected the £20m bid from fellow leather manufacturer Strong & Fisher saying it values the company at less than net assets per share.

Garnar said that its policy had been to produce a range of leather for many different industries, thus off-setting the cyclical nature of the leather trade, while Strong & Fisher had concentrated its efforts on high fashion garment leather.

Sir Kenneth Newton, Garnar chairman, said: "While Strong & Fisher has seen some success with this over the past few years, experience of the leather industry suggests that the success may be short-lived."

Strong & Fisher's offer document stresses that a merged group would have: complementary raw material sources; the benefit of Strong & Fisher's proven technical and marketing skills; complementary products and a broader product range; increased potential for profit growth in international markets.

COMPANY NEWS IN BRIEF

FIVE OAKS Investment — the sale of 22.2 per cent of the company's capital at 55p per share by British Car Auction (13.4 per cent) and Abaco Investments (8.8 per cent) has been taken up by 15 investment institutions. Neither BCA nor Abaco now hold any shares. To satisfy institutional demand Five Oaks is planning a number of property deals and is due shortly to complete one of its prime office developments, Beasley Court at Uxbridge, adjacent to M25.

UNIGATE has agreed in principle to acquire Prufrock Restaurants of the US for undisclosed terms. Prufrock had sales of $47.5m in the year ended June 30; its chairman, Gene Street, will resign after the acquisition.

PENNINE RESOURCES says acquisitions have changed its principal activity to that of apparel retailer. It has therefore asked the Stock Exchange for trading in its shares—under Rule 535(3), mainly applicable to mineral exploration companies—to cease. It is the directors' intention to apply in due course for an appropriate quotation.

GARFUNKELS RESTAURANTS' subsidiary City Hotels Group has sold the freehold interest in 119-120 Bayswater Road, London, W2 for £1.2m in cash. The purchaser will be granting a new lease back to another Garfunkels subsidiary, Deep Pan Pizza Co, of the ground floor and basement (already occupied by it) for 25 years at an initial rent of £40,000 per annum exclusive.

MICROGEN Holdings, a provider of computer bureau services, has reached agreement to acquire the assets and goodwill relating to the computer output microfilm (COM) business of Sifferservice AB, based in Stockholm for £1.05m cash. The purchase is being carried out by Pepella AB, a Microgen subsidiary.

BRENT WALKER has issued 72,813 shares to Rentaplay (Aquateis) from which it bought certain assets in October 1984. The shares form the total deferred consideration, which was originally envisaged as being paid in three annual cash instalments ending 1988.

BRIDON Composites, a subsidiary of Bridon, is to sell its carbon fibre weaving and braiding operations to Fothergill Engineered Fabrics, a subsidiary of Fothergill and Harvey, for £400,000.

F.T. Share Information

The following securities have been added to the Share Information Service: Bik Bok Gruppen A.S. (Section: Drapery & Stores), F & H Group (Electricals), Harrison Industries (Building, Timber and Roads), Hollis 252 per cent Conv. Sub. Ln. 1999 (Industrials), J. F. Pacific Warrant Co. (Ord. and Pref.) (Investment Trusts), Mountleigh 5.25 per cent Conv. Cum. Pref. (Property), TV-am (Leisure).

BOARD MEETINGS

TODAY

Interims—Alva Investment Trust, Percy Bilton, CCA Galleries, Fortnum and Mason, Higgs and Hill, Hunting Petroleum Services, S. Jerome, Midland Marts, Molins, Morgan Grenfell, John Mowlem, North British Canadian Investment, Riley Leisure, Turriff.

Finals—Charlie Brown's Car Part Centres, Close Brothers, First Land Oil and Gas, James Halstead, Michael Peters.

FUTURE DATES

Interims—

A & M	Oct 30
British Syphon Industries	Oct 9
Cable and Wireless	†Nov 20
City of Oxford Investment Tst	Oct 15
Coloroll	Nov 5
Govett Oriental Investment Tst	Oct 17
Harrisons and Crosfield	Oct 22
London and Edinburgh Trust	Oct 7
Miles 33	Oct 7
TDS Circuits	Oct 16
TR Industrial and General Tst	Oct 31
Finals—	
Attwoods	Oct 8

† Amended.

PENDING DIVIDENDS

Dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements except where the forthcoming board meetings (indicated thus*) have been officially notified. Dividends to be declared will not necessarily be at the amounts in the column headed "Announcement last year."

	Date	Announcement last year
Abbey Life	Oct 21	Interim 2.2
AB Foods	Nov 4	Interim 1.9
Beazer (C. H.)	Oct 25	Final 8.0
*Bejam	Oct 15	Final 2.0
*Bilton (P.)	Oct 6	Interim 4.0
British Car Auction	Oct 29	Final 2.0
British and Com. Shipping	Oct 24	Interim 2.2
*Cable and Wireless	Nov 20	Interim 3.5
Capital and Counties	Oct 29	Interim 2.2
Cater Allen	Nov 7	Interim 8
Eastern Produce	Oct 25	Interim 2.5
Etam	Oct 23	Interim 1.5
*Finlay (Jas)	Oct 9	Interim
Fisher (A.)	Oct 17	Final 1.2
*Glaxo	Oct 14	Final 14.0
Hammerson Prop.	Oct 14	Interim 2.0
*Harrisons & Crosfield	Oct 22	Interim 4.5
Hawker Siddeley	Oct 22	Interim 4.5
Hepworth (J)	Nov 5	Final due
*Higgs and Hill	Oct 8	Interim 5.0
Hill Samuel	Nov 8	Interim 3.6
*Inchcape	Sept 29	Interim 7.15
*London and Edinbrgh Tst.	Oct 7	Interim 3.0
London and Northern	Oct 23	Interim 2.1
Marks and Spencer	Oct 29	Interim due
*Morgan Grenfell	Oct 6	Interim due
*Mowlem (John)	Oct 6	Interim 4.0
Rockware	Oct 14	Interim due
Sainsbury (J.)	Nov 5	Interim 1.4
*Sears	Oct 7	Interim due
Senior Eng	Oct 14	Interim 0.825
UEI	Oct 14	Interim 2.0
Wolseley	Oct 28	Final 8.0

*Board meeting intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made. ¶ Forecast.

FINANCIAL TIMES STOCK INDICES

	Oct. 3	Oct. 2	Oct. 1	Sept. 30	Sept. 29	Sept. 26	1986 High	1986 Low	Since Compilation High	Since Compilation Low
Government Secs.	82.75	82.30	82.83	82.89	81.75	83.39	94.51	80.39	127.4	49.18
Fixed Interest	90.29	90.56	90.41	90.18	89.96	90.44	97.68	86.55	150.4	50.53
Ordinary	1234.0	1246.0	1251.7	1227.0	1212.6	1238.4	1425.9	1094.3	1425.9	49.4
Gold Mines	328.6	317.2	321.5	319.0	323.8	328.3	357.8	185.7	734.7	43.5
FT-Act All Share	770.44	776.10	777.10	768.79	762.47	774.34	832.39	664.42	832.39	61.92
FT-SE 100	1560.8	1573.1	1578.3	1555.8	1539.2	1568.6	1717.6	1370.1	1717.6	986.9

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price	+ or –	Net. Div.	Times Cov'd	Gross Yield	P.E. Ratio
§43	F.P.	—	59	49	‡Broad St. Grp.10p	50	–1	b1.1	2.2	3.1	20.7
§130	F.P.	17/10	195	152	‡Creighton Labs 20p	185	+3	U3.7	2.2	2.8	22.4
160	F.P.	24/10	146	123	Euro Home Products 5p	125	+2	R4.25	2.5	4.8	9.6
§105	F.P.	16/10	112	103	‡Eve Construction	103	......	u4.5	3.2	6.2	7.2
§135	F.P.	—	149	145	‡Great Southern 10p	149	+3	R5.2	2.2	4.9	12.8
Nil	F.P.	—	28	27½	Group Development	28	+½	—	—	—	—
105.25	F.P.	—	108	104	India Fund £1	108	......	—	—	—	—
§135	F.P.	24/10	159	145	‡Local London Group 5p	159	+1	W5.0	1.8	4.4	17.9
§105	F.P.	—	150	133	‡Miller & Santhouse 5p	142	–1	a2.25	2.4	2.2	26.5
§75	F.P.	24/10	79	73	‡Newage Trans 5p	79	......	R3.5	2.5	6.8	8.3
§25	F.P.	22/10	25½	25½	Nth of Scotland Inv 10p	25½	......	—	—	—	—
135	F.P.	24/10	160	151	Sandell Perkins 10p	158	–2	b3.8	2.9	3.4	14.5
—	F.P.	3/10	18½	9	Sutcliffe Speak Wrnts	16	......	—	—	—	—
§§	F.P.	—	385	335	‡Utd. Trust & Credit £1	335	–10	u14.0	2.1	5.9	11.6
125	F.P.	10/10	156	136	Yorkshire TV	137	–1	R6.25	2.4	6.4	9.3

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price £	+ or –
‖	Nil	—	1½pm	½pm	Comtech Finance 11½% Cnv. Uns. Ln. 1996	½pm	–1
‖	Nil	—	7ppm	6ppm	‡Goodhead Print 7% Cnv. Red. Prf	7ppm	......
§100	£10	15/5	9½	3¼	Mid-Sussex Water 11% Red Deb 2012-16	4	–1¼
§99.937	£25	24/10	25¼	22¼	Nationwide 3⅞% IL Ln. 2021	23⅛	......
—	F.P.	—	100⅛	98⅞	Do 9⅞% 7/9/87	98⅞	......
—	F.P.	—	100⅜	99⅛	Do 10⅛% 21/9/87	99⅛	......
§100	F.P.	23/10	100⅞	91½	Portsmouth Water 10⅞% Red Deb 1996	92	–½
‖	F.P.	24/10	108½p	100p	Rush & Tompkins 7.5% Cnv.Cum.Red.Prf £1	101p	......
96.645	£25	8/1	24¼	17	Scot. Met. Prop. 10¼% 1st Mort. Deb 2016	19	+1
—	F.P.	—	109½p	104p	Scott. & Newcastle 7% conv. Pref. £1	109½p	......
—	F.P.	3/10	98p	96p	Sutcliffe Speak 9½% Red. Cnv. Prf.	98p	......
¶¶	F.P.	24/10	122p	115p	WCRS 5½% Cnv. Cum. red. Pref. 1999	119p	+2
¶¶	F.P.	—	95p	92½p	Walker (C & W) 6½pc Cnv Cum Red Pref	94p	......
¶¶	F.P.	—	104p	102p	Williams Hldgs 5¾% Cum Cnv Prf	102p	......

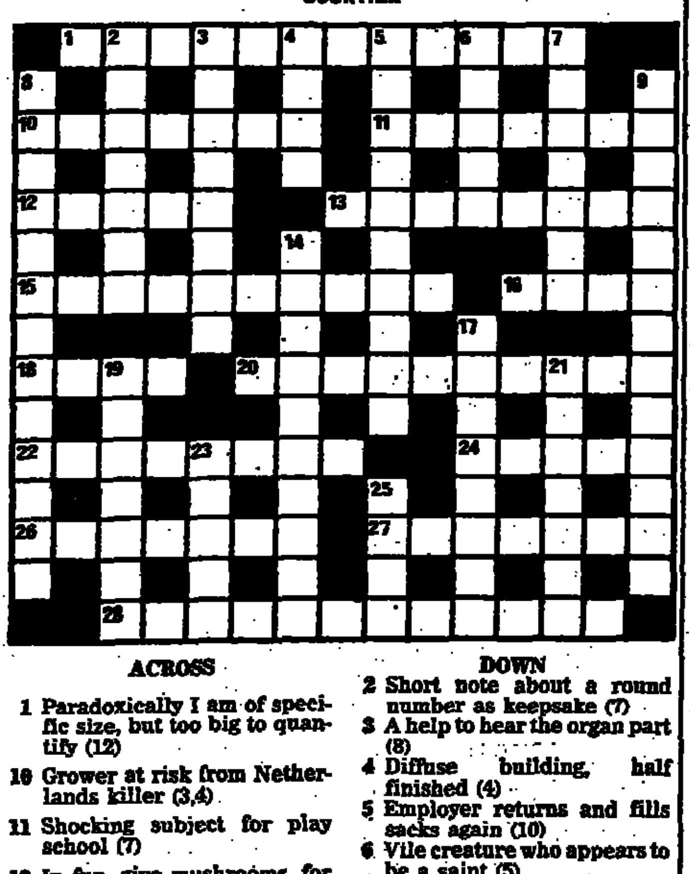
"RIGHTS" OFFERS

Issue Price	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price p	+ or –
125	Nil	—	10pm	10pm	Appleyard Group	8pm	–2
120	Nil	21/11	18pm	16pm	Brent Chemicals 10p	17pm	–1
70	Nil	—	63pm	63pm	Bromsgrove Inds	63pm	......
195	Nil	24/10	18pm	3pm	Bunzl	3pm	–5
‖	Nil	24/10	1pm	½pm	Caribbean Venture Cap. 5p	¼pm	......
25	Nil	27/10	8pm	4pm	Christy Hunt	4pm	......
$1.80	Nil	—	12½pm	5pm	E.R.I.C.	5pm	–6
75	Nil	11/11	30pm	24pm	Intl. Fin. & Inv. Corp.	29pm	......
80	Nil	—	9pm	9pm	Leisuretime Intl.	9pm	......
215	Nil	24/10	5pm	2pm	New Court Nat.Res. 5p	2½pm	......
140	Nil	—	15pm	13pm	Tilbury Group	13pm	–2
250	Nil	24/10	49pm	43pm	Tiphook 10p	49pm	......
50	Nil	—	7pm	7pm	Thurgar Bardex 10p	7pm	......
60	Nil	21/11	13pm	9pm	United Spring 10p	9pm	......
60	Nil	—	11	9	Western Selection 20p	9	......

Renunciation date usually last day for dealing free of stamp duty. *a* Annualised dividend. *b* Figures based on prospectus estimates. *d* Dividend rate paid or payable on part of capital, cover based on dividend on full capital. *g* Assumed dividend and yield. *h* Assumed dividend and yield after scrip issue. F Forecast dividend cover on earnings updated by latest interim statement. H Dividend and Yield based on prospectus or other official estimates for 1987. L Estimated annualised dividend, cover and p/e based on latest annual earnings. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma Figures *t* Indicated dividends; cover relates to previous dividend; p/e ratio based on latest annual earnings. *u* Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ‖‖ Introduction. ** Issued by way of capitalisation. § Placing price. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ▮ Allotment price. ‡ Unlisted securities market. †† Official London listing. ‡‡ Including warrants entitlement.

F.T. CROSSWORD PUZZLE NO. 6,143

COURTIER



ACROSS

1 Paradoxically I am of specific size, but too big to quantify (12)
10 Grower at risk from Netherlands killer (3,4)
11 Shocking subject for play school (7)
12 In fun, give mushrooms, for example (5)
13 Coe tries to remain private (8)
15 Craftsman or lumberjack? (10)
16 Almost perfect notion (4)
18 Unusual alliance of army units (4)
20 A member shaped the work of 15 perhaps (4-6)
22 Trifles, if sweet, leave a lovely sensation (8)
24 Heartbroken land (5)
26 Nothing is lost about being an individualist (7)
27 Not a spare ounce in the smallest direction (7)
28 I send treacle to delegate (12)

DOWN

2 Short note about a round number as keepsake (7)
3 A help to hear the organ part (8)
4 Diffuse building, half finished (4)
5 Employer returns and fills sacks again (10)
6 Vile creature who appears to be a saint (5)
7 I hear you are about finished but survived (7)
8 Egocentricity becomes a conscious state (4-9)
9 Grey's scotch? (5, 3, 5)
14 Reform a crook (10)
17 Despicable dance game (8)
19 Repaired the roof again, or the floor perhaps (7)
21 Ushers the king initially round the borders (7)
23 The devil I accompany hides on the flank (5)
25 This ring has a confusing effect (4)

The solution to last Saturday's prize puzzle will be published with name of winners next Saturday.

AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

[illegible]

AUTHORISED UNIT TRUSTS & INSURANCES

Waverley Asset Management Ltd (a) (c) (g)
13 Charlotte Sq, Edinburgh 031-225 1551

Australasian Gold	24.6	26.3	+1.4	0.15
Pacific Basin	20.7	22.1	+0.4	0.2
Canadian Select Growth	58.3	62.3	-0.1	0.98
Ginnie Mae	102.2	106.5	+0.4	7.1

WestAven Unit Trust Managers Ltd(a)(c)
9 Portland Square, Bristol BS2 8SS 0272 428431

British Smllr Co's (z)	53.8	57.4	-0.5	1.5
British Growth (z)	64.7	66.5	-0.1	2.5
British Income (z)	63.3	65.1	—	4.75
British Extra Yield(z)	49.1	50.5	-0.3	7.0

Whittingdale Unit Trust Managers
2 Honey Lane, London EC2V 8BT 01-606 9085/6

Short Dtd Gilt Fd	67.7	68.8	—	—
U.S. Govmt Bond Fd	50.512	0.514	—	—

Windsor Trust Mngrs Ltd
83 Kingsway, London, WC2B 6SD 01-405 8331

Capital & Equity Tst	47.7	50.8	—	7.75
Growth Trust	51.3	54.6	+0.4	2.27
Income Trust	52.6	56.0	-0.4	5.19

Wright Seligman Fund Managers Ltd
11 Blomfield St, London EC2M 7AY 01-588 0592

Growth Fund	66.8	70.3	—	2.90

Weekly dealing day Tuesday

The Yorkshire General Trust
Woodsome Pk, Fenay Bdge, Huddersfield 0484 602250

Y.G.T.	126.0	134.1	+0.4	3.23

INSURANCES

INSURANCE, OVERSEAS & MONEY FUNDS

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

World Bond Fund NAV $15.0351 | — | —
Inv Ad Mercury Warburg Inv Mngmt, London

World Fund S.A.
2 Boulevard Royal, Luxembourg
World Fund NAV $18.52 | −0.07 | —

World Wide Growth Management◆
10a, Boulevard Royal, Luxembourg
Worldwide Gth Fd $16.22 | ... | —
Inv. Adv.: M. & G. Inv. Mngt. Ltd. London

Yamaichi Dynamic Mngt Co SA
10A Boulevard Royal, Luxembourg
Advanced Tech $17.96 | ... | —
Dynamic Gwth Fd $19.43 | ... | —

Zero Bond Fund Limited
PO Box 208, St Peter Port, Guernsey 0481 26268
Zero Bond Fund $11.97 12.67 | ... | —

Money Market Trust Funds

	Gross	Net	Gr Equiv CAR	Int Cr
Charities Aid Fndn Money Mngmt Co Ltd				
Staple Hall, Stone Ct, Houndsditch, EC3 01-283 6461				
Call Fund	9.31	6.96	...	3-mth
7-day Fund	9.47	7.08	...	3-mth
The Charities Deposit Fund				
2 Fore Street, London EC2Y 5AQ 01-588 1815				
Deposit	9.50		...	3-Mth
The Money Market Trust				
63 Qn Victoria St, EC4N 4ST. 01-236 0952				
Call Fund	9.48	7.09	10.36	6mth
7-day Fnd	9.56	7.15	10.44	6mth
Oppenheimer Money Management Ltd				
66 Cannon St, EC4N 6AE. 01-236 1425				
Call Fnd	9.03	6.75	9.62	6-Mth
7-day Fund	9.16	6.85	9.82	6-Mth
Dollar	4.75	—	—	6-Mth

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int Cr
Adam & Co. plc				
22 Charlotte Sq, Edinburgh EH2 4DF 031-225 8484				
Full Service Cur Acc	9.25	6.80	9.58	Qtr
Aitken Hume				
30 City Road, EC1Y 2AY. 01-638 6070				
Treasury Acc	9.25	6.92	9.99	Qtr
Mth. Int. Chq.	9.25	6.91	10.04	Mth
Allied Arab Bank Ltd				
97-101 Cannon St, London, EC4N 5AD 01-283 9111				
High Int. Cheque Acc	10.125	7.58	11.04	Mth
Bank of Scotland				
38 Threadneedle St, EC2P 2EH. 01-628 8060				
Money Mkt Cheque Acc	9.30	6.95	10.11	Mth
Barclays Prime Account				
PO Box 125, Northampton 0604 252891				
High Int. Cheque	9.50	7.00	10.12	Qtr
Benchmark Trust Ltd				
9 Henrietta Place, W1M 9AG. 01-631 3313				

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. Prices of certain older insurance linked plans subject to capital gains tax on sales. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. ‡ Suspended. ◆ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. [illegible] Yield column shows annualised rates of NAV increase. xd ex dividend.

TRADITIONAL OPTIONS

3-month call rates

Industrials	p		
Allied-Lyons	30	MEI	11
Amstrad	23	Nat West Bk	48
BAT	35	P & O Dfd	45
BOC Grp	28	Plessey	18
BSR	11	Polly Peck	16
BTR	28	Racal Elect	16
Babcock	27	RHM	20
Barclays	45	Rank Org Ord	45
Beecham	40	Reed Intnl	75
Blue Circle	55	STC	16
Boots	22	Sears	12
Bowaters	30	TI	42
Brit Aerospace	45	Tesco	32
Brit. Telecom	17	Thorn EMI	40
Burton Ord	28	Trust Houses	15
Cadburys	17	Turner Newall	18
Charter Cons	22	Unilever	120
Comm Union	28	Vickers	40
Courtaulds	26	Wellcome	17
FNFC	17	**Property**	
Gen Accident	75	Brit Land	16
Gen Electric	17	Land Secs	30
Glaxo	85	MEPC	32
Grand Met	34	Peachey	24
GUS 'A'	85	**Oils**	
Guardian	75	Brit. Oil & Min	2½
GKN	32	Brit Petroleum	48
Hanson Tst.	16	Burmah Oil	30
Hawker Sidd	48	Charterhall	4
ICI	55	Premier	3½
Jaguar	38	Shell	55
Ladbroke	32	Tricentrol	11
Legal & Gen	24	Ultramar	18
Lex Service	26	**Mines**	
Lloyds Bank	38	Cons Gold	40
Lucas Inds	52	Lonrho	24
Marks & Spencer	18	Rio T Zinc	50
Midland Bk	44		
Morgan Grenfell	30		

A selection of Options traded is given on the London Stock Exchange Report Page.

LONDON SHARE SERVICE

BRITISH FUNDS

Interest Due		Stock	Price £	Last xd	Yield Int.	Yield Red.
		"Shorts" (Lives up to Five Years)				
21 May	21 Nov	Exch. 2½pc 1986	99½	14.4	2.52	9.53
22Jul	22Jan	Exch. 13¼pc 1987	100⅜	16.6	13.18	11.00
10 Aug	10 Feb	Treas 10¼pcCv '87	99¾	4.7	10.28	10.90
24Aug	24Feb	Exch 2½pc 1987	97⅝	18.7	2.55	8.12
6Oct	6Apr	Exch. 10½pc 1987	99¾xd	1.9	10.53	11.20
1 Nov	1 May	Funding 6½pc 85-87	98½xd	25.9	6.62	10.09
12Dec	12Jun	Treas. 10pc 1987	99½	5.5	10.08	11.07
14Jan	14Jly	Treas 3pc 1987	96¼	30.6	3.12	8.26
3May	3Nov	Treas. 12pc 1987	100⅞xd	29.9	11.90	11.24
26 Jul	26 Jan	Treas 7¾pc 1985-88‡‡	96⅝	19.6	8.02	10.51
10Nov	10May	Exch 10½pc '88	98¼	3.4	10.63	11.39
14Dec	14Jne	Treas 9¾pc Cv '88	97¾	8.5	9.97	11.20
1Jan	1Jul	Transport 3pc '78-88	91¼	27.5	3.29	8.60
25 Apr	25 Oct	Treas. 9½pc '88	96½xd	18.9	9.80	11.23
22 Aug	22 Feb	Treas 11½pc 1989	100¼	16.7	11.49	11.38
18 Oct	18 Apr	Treas 9½pc Cnv 1989	96xd	11.9	9.90	11.38
15Nov	15May	Treas 3pc 1989	87¼	8.4	3.44	8.55
14Dec	14Jun	Treas 10½pc 1989	97⅞	8.5	10.73	11.41
1Feb	1Aug	Exch 10pc 1989	96⅝	25.6	10.34	11.40
29 Mar	29 Sep	Exch 11pc 1989	99⅛	26.8	11.10	11.36
15 Apr	15 Oct	Treas 5pc 1986-89	88¼xd	8.9	5.66	9.52
15 May	15 Nov	Exch 10¼pcCv '89	100⅛	8.4	10.20	10.03
15 Jul	15 Jan	Treas 13pc 1990‡‡	104¼	9.6	12.61	11.80
12 Aug	12 Feb	Exch 11pc 1990‡‡	99	7.7	11.11	11.32
22 Sep	22 Mar	Exch. 12½pc 1990	103⅛	18.8	12.10	11.25
		[illegible]	83¼xd	2.10	3.60	8.64

Five to Fifteen Years

Over Fifteen Years

Undated

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Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's
		Anglo-Dominion	94	—	—	—	—
—		Anglo Utd Dev	25	14.7	—	—	—
	—	ψColby Res Corp	37	—	—	—	—
Aug.	Feb.	Cons. March. 10c	£17½	14.7	Q100c	♦	16.6
	—	‡Ennex Int. Ir10p	24	—	—	—	—
—		Greenwich Res	144	—	—	—	—
Apr	Oct	Hampton Areas 10p	146	23.12	ϕ1.0	—	1.0
	—	ψHighwood Res	238	—	—	—	—
Fb Jun Ag Nv		Homestake Mining $1	£20¼	30.7	Q20c	—	0.7
—		ψMcFinley Red Lake	195	—	—	—	—
	—	ψMusto Explorations	280	—	—	—	—
—		ψNew Sabina Res C$1	35	—	—	—	—
—		Northgate C$1	305	7/77	—	—	—
Jan	July	RTZ	659	12.5	22.0	2.4	4.8
Jan	July	Do. 9½pcLn '95-2000	£135¼	12.5	Q9½%	15.5	7.1

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 29 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- ψ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ‡ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 535(3).
- # Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♦ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ǁ No par value.

B.Fr. Belgian Francs. Fr. French Francs. ¢¢ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Figures based on prospectus or official estimates for 1984. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	58xd	...	Fin. 13% 97/02	£97¾	−1¾
Craig & Rose £1	£13½	...	Arnotts	265	.....
Finlay Pkg. 5p	47xd	...	CPI Hldgs	43	.....
Holt (Jos) 25p	820xd	...	Carrol Inds.	180	−2
IoM Stm. £1	75	...	Dublin Gas	30	.....
			Hall (R. & H.)	80	−8
IRISH			Heiton Hldgs.	29	.....
Fund 11¼% 1988	£98¼xd	−⅛	Irish Ropes	95xd	.....
Nat. 9¾% 84/89	£92⅞	−1¼	Unidare	230	.....

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CONSTRUCTION CONTRACTS

Work starts at Stansted

WORK STARTS today on the new Stansted Airport terminal building. FRENCH KIER (LONDON) has been awarded a £10.9m 93-week contract for the first structural concrete work.

The terminal is part of the British Airport Authority's £290m expansion programme for Stansted, designed to increase the annual flow of passengers through Stansted to 8m by 1991.

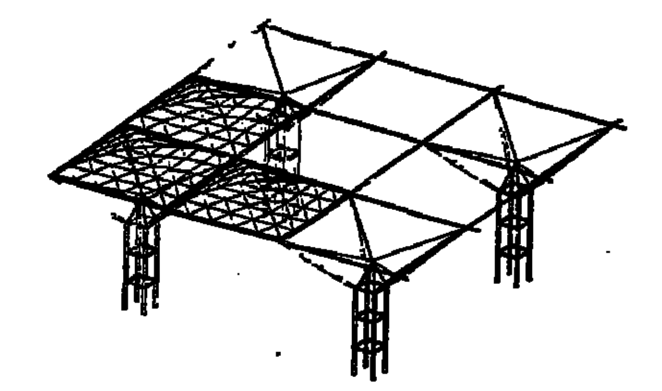
Ove Arup & Partners are the consulting engineers to BAA for the reinforced concrete structure.

The contract is for the reinforced concrete works for the terminal and phase one of the forecourt, and will involve pouring about 35,000 cubic metres of concrete using 5,000 tonnes of reinforcement.

Concrete for the terminal building comprise a 200 metre by 100 metre main concourse slab of waffle construction, supported on circular columns. Below the concourse there is a mezzanine slab of precast concrete. At the lowest level there is a ground bearing slab and the foundations are pads sitting on the glacial till which underlines the site. The permanent level of ground water will be controlled by a drainage blanket and pressure relief wells.

The concrete is to have a high quality finish—for example, the 9 metre high columns will be constructed in one lift to their full height. The concrete works will be constructed in the dry under a previously erected steel roof, which has also been designed by Ove Arup.

For the steel roof about 2,800 tonnes of steel and 4 hectares of profiled metal deck will be used. Welded to the structural steelwork are some 110,000 cleats, lugs and brackets for the later attachment of cladding and services. Fabrication is by TUBE WORKERS.



Tubular steel lattice shells form the roof of the new Stansted Airport Terminal Building

This tubular steel roof consists of 121 low-rise lattice shells, supported by 36 prestressed "trees." These trees are 21 metres tall and are spaced at 36 metre centres in six rows of six. The "trunks" of the trees consist of four vertical 457 mm diameter tubes situated at the corners of a 3 metre square. These tubes are joined by horizontal tubes at three levels, forming a three-dimensional structure similar to the giant masts of the new Hong Kong and Shanghai Bank building.

At about 13 metres above their base the verticals reduce in diameter to 406 mm and splay outwards (the "branches" of the trees) until their tips are at the corners of an 18 metre square, 21 metres above the base. The upside-down truncated pyramid shape thus formed is cross-braced internally by a three dimensional arrangement of small diameter tubes and prestressing bars.

The bracing is, during construction, jacked taut by a force of about 70 tonnes. Prestressing the bracing members enables some of them to be made of 40 mm high tensile rods rather than much larger diameter tubes. This "apparent economy of means" was an important architectural requirement.

This configuration of trees and shells has the advantage that, while the passenger concourse is interrupted by structure only every 36 metres, the roof panels have to span only 18 metres. The form of the roof is derived from the requirements of lighting and acoustical behaviour as well as load-carrying and constructional considerations. Each 18 metre square shell is assembled and partly clad at ground level before being lifted into position. Erection is scheduled for the spring and summer of 1987.

Nissan expands plant

SIR ROBERT McALPINE & SONS has been awarded an £11m design and management contract by Nissan Motor Manufacturing (UK) covering the extension to its new car assembly plant at the former Sunderland Airport site, Washington. The project, comprising two single-storey buildings measuring 165 metres by 69 metres and 72 metres by 54 metres of steel frame construction with composite cladding, will provide press shop facilities and a panel handling area. Within the press shop, excavation to a depth of 7 metres will be necessary for the construction of the machine pits. External work includes roadways, drainage and all in-ground services. Work is due for completion in March 1988.

*

Sewer project for Miller

Work on a £2.5m scheme in Littlehampton is to start soon for the Southern Water Authority. The works have been jointly designed by Southern Water and Arun District Council as the third phase of a programme of improvements to alleviate recurrent problems of sewage flooding in the town. The project, which will cost more than £2m and take around 12 months to complete, is being carried out by MILLER CONSTRUCTION. The works include a 1 km-long tank sewer, ranging in size from 1,500 mm dia to 1,800 mm dia. Modification of the outfall works is needed to accommodate the new sewer and the opportunity will be taken to update the treatment plant to comply with the EEC Directive on the quality of bathing water. The treatment plants cater for a population of 84,000, including the residents of Littlehampton, Arundel and the outskirts of Worthing. Littlehampton is already served by a 3.2 km-long sea outfall into which the existing works discharges. The odour control system is to be replaced with an installation incorporating the latest technology. The installation of 320 metres of sewer will be carried out using an Iseki Polytech Crunchingmole tunnelling machine.

Asda-MFI headquarters

TAYLOR WOODROW CONSTRUCTION (NORTHERN) has been appointed managing contractor for the construction of a £15m headquarters building for the Asda-MFI Group on a prime seven acre site near Leeds city centre. The three-storey building will be built on the south bank of the River Aire near the northern terminus of the M1 motorway. The structure will have two rectangular wings, on either side of a central atrium, linking the usable office space both horizontally and vertically. The development will provide a gross floor area of about 200,000 sq ft of air conditioned offices, meeting and reception areas, together with facilities for computer and laboratory services.

*

Speyhawk Land and Estates has appointed TROLLOPE & COLLS as management contractors for its £11.5m office development in Bracknell, "100 Square," the former TZK site. The building comprises seven floors of air-conditioned offices built around an atrium and entrance, and includes multi-level underground car parking. The basement is enclosed by diaphragm walls and pile foundations support a steel frame structure with concrete plate floors.

*

D. J. HIGGINS & SONS has been awarded six contracts in the private and public sectors totalling £7m for construction and rehabilitation projects. The work includes: construction of houses and flats at Cyprus Place, E6, for the London Borough of Newham; replacement and external works at Sydney Street north side and south side, E1, for the London Borough of Tower Hamlets; refurbishment at Chaucer House, Churchill Gardens Estate, SW1, for the City of Westminster; external repairs at the New Gascoyne Estate, E9, for the London Borough of Hackney; extension of new canopy at Schweppes' Romford depot, for Schweppes; and a two storey extension at Pearsons (Enfield).

South Norwood police station

A contract has been awarded to JOHN LAING CONSTRUCTION southern region by the Metropolitan Police. The £3.8m contract is for construction of a divisional police station in South Norwood. The structure will comprise a reinforced concrete framed building with reinforced concrete basement and brick cladding together with services and external works. The three/four storey building is due for completion in December 1988.

*

C. H. PEARCE & SONS (CONTRACTORS), construction arm of Crest Nicholson, has been awarded contracts worth nearly £8m. They include London and Manchester Assurance offices at Exeter, worth £5.3m; 29 houses for C rest Homes at Turners Hill, Crawley, worth £1.1m; a day unit at Malmesbury Hospital, costing £300,000; a distribution depot for Carlsberg at Yate, worth £700,000; and a water flume at Gloucester leisure pool for £500,000.

DIARY DATES

Finance

The following is a record of the principal business and financial engagements during the week. The board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last year's timetable.

COMPANY MEETINGS—
English Trust, Salters' Hall, 4 Fore Street, EC, 12.30
Stirling Group, Stakehill Lane, Bentley Avenue, Middleton, Manchester, 12.00

TODAY

BOARD MEETINGS—
Finals:
Browns (Charlie) Car Part Centres
Close Bros.
Firstland Oil and Gas
Halstead (J.)
Peters (Michael)
Interims:
Alva Inv. Tst.
Bilton (Percy)
CCA Galleries
Fortnum and Mason
Higgs and Hill
Hunting Pet. Services
Jerome (S.)
Midland Marts
Molins
Morgan Grenfell
Mowlem (John)
North British Canadian Inv.
Riley Leisure
Turriff

DIVIDEND & INTEREST PAYMENTS—
AMS Inds 0.5p
Aaronson Bros 1.2p
Agricultural Mortgage Corpn 6pcDb 1982-1987 3pc
Anglo-Indonesian Fltg Rate Ln 1985-88 5.5pc
BET Dfd 12p
Bampton Property Group 7¼pcLn 1991-96 3⅝pc
Black (Peter) 1.25p
Braime (T. F. and J. H.) 1.5p. 9 Non-vtg 1.5p
British Bldg and Eng Appliances 0.67p
Centex Corpn 6.25 cts
Centrovincial Estates 3p
Colman (E. Alec) Invests 9pcMtDb 1987-1992 4½pc
Crest Nicholson 1.75p
Davies and Metcalfe 0.63p. A (Non-vtg) 0.63p
Dixons Group 2.4225p
Exchequer 10½pc 1987 5¼pc
Firth (G. M.) 0.55p
Grand Metropolitan 4p
Greenall Whitley 7pcLn 3½pc. 8¼pcLn 4⅛pc
Johnson Group Cleaners 5p
Jones (Ernest) (Jewellers) 1.4p
Kleen-E-Ze Hldgs 5p
Kuala Lumpur Kepong Berhad 5 sen
McMullen 6½pcPf 3.25p. 10½pcPf 5.25p
Microvitec 0.5p
Pleasurama 2p
Pratt (F.) Engineering 7¼pcLn 1987-92 3⅝pc
Real Time Control 2p
Relyon Group 1.8p
Saatchi and Saatchi 6.3pcPf 3.15p
Scottish English and European Textiles 3.7p
Stanley (A. G.) 1.5p
Technical Component Inds 1.5p
Whitbread and Co 9pcLn 1997-2001 4½pc
Wight Collins Rutherford Scott 3p
Williams Hldgs 5p
Woodhead (Jonas) 1p

TOMORROW

BOARD MEETINGS—
Finals:
A. C. Holdings
China Eastern Inv.
Interims:
Ash and Lacy
Comcap
Hewden-Stuart Plant
Clifford's Dairies
Lamont
London and Edinburgh Tst.
Miles 33
Sears
Silkolene Lubricants
Telephone Rentals

DIVIDEND & INTEREST PAYMENTS—
Abbey 3p
Berisfords (S. and W.) 3.5p
Blockleys 11p
Bradstock Group 2.2p
Francis Inds 8pcLn 1994-99 4½pc
Halifax Bldgs Society Fltg Rate Ln Notes 1992 £126.82
Rothmans Intnl B 4.5p
Senah Rubber 40p
Smith and Nephew 0.83p
Tracor Inc 9 cts
United Kingdom Fltg Rate Notes 1992 $172.50
Warnford Invests 10p

WEDNESDAY, OCTOBER 8

COMPANY MEETINGS—
Brasway, All Saints Road, Wednesbury, West Midlands, 12.00
Wholesale Fittings, City Conference Centre, 76 Mark Lane, EC, 11.30

BOARD MEETINGS—
Finals:
Attwoods
Britannia Security
Maunders (John)
Sanderson Murray and Elder
Television South West
Interims:
Anglo American Inv. Tst.
Berkeley Exploration
Conrad Hldgs.
Dataserv
Gates (Frank G.)
Grampian Hldgs.
Greenbank
Holt Lloyd
Johnston Grp.
PSM Intnl.
Spirax-Sarco
Walker C. and W.)

DIVIDEND & INTEREST PAYMENTS—
Barclays Bank 9.5p
Beazer 2.5p
Britannia Bldg Society Fltg Rate Notes 1993 £256.75
Cement-Roadstone 1.27p
Fogas 2.124p
Gold Fields of South Africa 29.785868p
Impala Platinum 100 cts
Mount Charlotte Invests 0.81p
Palma Group 0.825p
Templeton Galbraith and Hansberger 3 cts
Tops Estates 095p

THURSDAY, OCTOBER 9

COMPANY MEETINGS—
Dialene, Savoy Hotel, Strand, WC, 11.00
Douglas (R. M.), Shenstone House, 295 George Road, Erdington, Birmingham, 12.00
Heath (Samuel), Cobden Works, Stanhope Street, Birmingham, 10.00
London Merchant Securities, Carlton House, 33 Robert Adam Street, W, 12.00
McKay Securities, 20 Parkside, Knightsbridge, SW, 12.00

BOARD MEETINGS—
Finals:
Canadian Overseas Packaging Inds.
New Central Witwatersrand Areas
Photo-Me Intnl.
Savage
Thorpe (F. W.)
Interims:
British Syphon Inds.
Campari Intnl.
Drock
Finlay (James)
Monument Oil and Gas
Reed (Austin)
Reberoid
Willaire Systems

DIVIDEND & INTEREST PAYMENTS—
Banca Serfin SNC Fltg Rate Notes 1986 $37.81
Central American Bank for Economic Integration Fltg Rate Notes 1994 $250.10
Heath (Samuel) 30p
Hongkong and Shanghai Banking Prim Cap 3rd Series $88.65
Korea Exchange Bank Fltg Rate Notes 1988 $37.81
Leumi Intnl Invests Fltg Rte Notes B 1987 $17.89
Marine Midland Finance Fltg Rate Notes 1994 $17.73
Marley 1.4p
Peerless 4.2p
RBC Intnl Capital Pf 12 cts
Ward Hldgs 1.75p
Woodhouse and Rixson 1.35p

FRIDAY, OCTOBER 10

COMPANY MEETINGS—
Bristol Channel Ship Repairers, Bute Dry Dock, Cardiff, 11.30
Jones, Stroud, Grange Farm, Toton, Nottingham, 12.00
Magnetic Materials, Ironmongers Hall, Aldersgate Street, Barbican, EC, 11.00
Restmor Group, 5 Baker Street, W, 11.30
Second Alliance Trust, Meadow House, 64 Reform Street, Dundee, 11.30

BOARD MEETINGS—
Finals:
Prestwich
Interims:
Alfa-Laval
Arcolectric

DIVIDEND & INTEREST PAYMENTS—
Biotechnology Invests 10 cts
Clark (Matthew) and Sons 5p
Copson (F.) 1.75p
Debron Invests 0.5p
Douglas (Robert M.) 1.5p
Gartmore Information and Finance Trust 0.425p
Grosvenor Square Properties 3.75p
Imperial Group 8pcLn 1985-90 3.5726p
Jones Stroud (Hldgs) 5.5p
Kleinwort Benson Lonsdale 5p
Macfarlane Group 1.113p
McKay Securities 1.95p
Metal Bulletin 1.65p
Mezzanine Capital Corpn SDR Pf 41.17 cts
Miss World Group 1.5p
Parkfield Group 2.4p
P & O 5pcPfd 1.75p
Porter Chadburn 1.3p
Press Tools 2p
Restmor Group 3.75p
Schlumberger 30 cts
Scottish Eastern Invest Trust 6¼pcDb 1985 90 3⅛pc
Supra Group 1p
TI Group 6p
Tilbury Group 1.8p
United States Debenture Corpn 2.25p

SATURDAY, OCTOBER 11

DIVIDEND & INTEREST PAYMENTS—
Conversion 10pc 2002 5pc
Islington Corpn 12.65pc 2007 6.325pc

SUNDAY, OCTOBER 12

DIVIDEND & INTEREST PAYMENTS—
Ireland 12½pcLn 2008 6¼pc

Trade fairs and exhibitions: UK

Current
Building '86 (01-486 1951) (until October 9) Earls Court

October 10-12
National Franchise Exhibition '86 (01-727 1929) Kensington Exhn Centre

October 15-17
National Aid for the Disabled Exhibition (0892 44027) Alexandra Palace

October 15-26
British Motor Show (trade only) (15-17) (01-235 7000) NEC, Birmingham

October 17-19
International Property and Timesharing exhibition (01-387 7878) Cumberland Hotel, W1

October 21-23
International Financial Services and Technology Exhibition (01-940 6065) Barbican Centre

October 21-24
London Business Equipment Show (01-406 6233) Earls Court

October 28-30
Instrumentation Conference and Exhibition — TEST & TRANSDUCER (0822 4871) Wembley Conference Centre

October 29-November 2
International Bike Show (01-385 1200) Olympia

October 30-November 2
London Money Show — MONEY (01-948 5166) Olympia

October 30-November 2
Business Holiday and Travel Show (0272 215206) Exhibition Centre, Bristol

November 9-13
International Woodworking Industries Exhibition — WOODMEX (01-486 1951) NEC, Birmingham

Overseas

Current
Book Fair — FRANKFURTER BUCHMESSE (01-734 0543) Frankfurt

October 6-12
International Wine and Spirits Show (0494 775444) Montreal

October 16-21
International Office Trade Fair—ORGATECHNIK (01-930 7251) Cologne

October 19-27
International Equipment and Services for Hotels Exhibition—EQUIP HOTEL (01-439 3964) Paris

October 20-24
International Market of Sub-Contracting Exhibition—MIDEST (01-439 3964) Bordeaux

October 21-25
International Forestry, Timber Processing and Woodworking Exhibition — WOODWORKING INDONESIA (01-486 1951) Jakarta

October 28-30
Trade Fair for Clothing Textiles — INTERSTOFF (01-734 0543) Frankfurt

October 31-November 2
Skiing and Winter Tourism Exhibition (01-486 1951) Helsinki

November 4-12
National Inventions — NIEX (01-439 0501) Seoul

November 6-9
Hong Kong Trade Fair—INDUSTRY (0206 45121) Hong Kong

Business and Management Conferences

October 10
Longman Seminars: Financing the media (01-242 4111) Cavendish Centre, W1

October 14
The Royal Institute of International Affairs: Energy trends and control of energy costs (01-930 2233) Chatham House, SW1

October 15-16
FT Conferences, Electronic financial services (01-621 1355) Hotel Inter-Continental, W1

October 15-17
British Consultants Bureau: World development—the role of consultancy into the 21st century (073085 711) London Hilton, W1

October 19-21
The Economist Conference Unit: Advanced manufacturing—making it work, making it pay (01-839 7000) Intercontinental Hotel, Geneva

October 21
FT Conferences: Developing the Global Market for Equities (01-621 1355) Merchant Taylors' Hall, EC2

October 22
The Royal Institute of International Affairs: Tradeable information — Europe against the world (01-930 2233) Chatham House

October 22-23
The FT City Financial Series: Four half-day seminars on Technology, Marketing Security and Whither the Building Societies? (01-621 1355) Barber-Surgeon's Hall, EC2

October 23
Confederation of British Industry: Getting Government grants (01-379 7400) Centre Point, WC1

October 27-28
Philadelphia Stock Exchange: 1986 International foreign currency options symposium (01-606 2348) Four Seasons Hotel, Philadelphia

October 29
Arthur Young Acquisitions and disposals (0272 290808) Bristol

November 2-4
Path fast: International floriculture seminar (02566 78755) Hotel Krasnopolsky, Amsterdam

November 3-4
FT Conferences: The City after the Financial Services Act (01-621 1355) Hotel Inter-Continental, W1

November 5-6
Club de Bruxelles: The future of Agriculture in Europe (Brussels 771 9890) Brussels
IBC: Third annual advertising and marketing financial services conference (01-236 4080) Royal Lancaster Hotel, W2

November 6-7
BIS Applied Systems: Communicating with OSI (01-633 0866) Kensington Palace Hotel

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there has been no change in the details published.

WORLD STOCK MARKETS

AUSTRIA

BELGIUM/LUXEMBOURG

DENMARK

FRANCE

NORWAY

ITALY

GERMANY

NETHERLAND

SWITZERLAND

SINGAPORE

AUSTRALIA

SWEDEN

HONG KONG

SOUTH AFRICA

JAPAN

SPAIN

NOTES—Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. * Price in Schillings.

CANADA

TORONTO

Closing prices October 3

†—No voting rights or restricted voting rights.

MONTREAL

Closing prices October 3

Total Sales 5,805,677 shares

OVER-THE-COUNTER

Nasdaq national market, closing prices October 3

Continued from Page 33

Indices

NEW YORK

DOW JONES

Day's High 1800.38 (1796.54) Low 1761.35 (1796.54)

STANDARD AND POORS

N.Y.S.E. COMPOSITE

AMEX MKT VALUE

NASDAQ OTC COMP

DIVIDEND YIELDS

TRADING ACTIVITY

CANADA

TORONTO

MONTREAL

NEW YORK ACTIVE STOCKS

AUSTRALIA, AUSTRIA, BELGIUM, DENMARK, FRANCE, GERMANY, HONG KONG, ITALY, JAPAN, NETHERLANDS, NORWAY, SINGAPORE, SOUTH AFRICA, SPAIN, SWEDEN, SWITZERLAND, WORLD

** Saturday September 27: Japan Nikkei 18,181.2, TSE 1529.81.

Base values of all indices are 100 except Brussels SE—1,000, JSE Gold—255.7, JSE Industrial—264.3, and Australia All Ordinary and Metals—500, NYSE All Common—50; Standard and Poors—10; and Toronto Composite and Metals—1,000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. u Unavailable.

Closing prices, October 3

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock		Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
26½	13¾	AAR	s	.44	1.9	17	194	23⅛	22⅞	23	
30	21¾	ADT		.92	3.7		119	25⅛	24½	24⅝	−⅛
33	11½	AFG	s	.08i	.3	14	868	26⅞	25¼	25⅝	−1
25⅜	13¾	AGS				13	53	18½	17⅞	18	−½
60⅝	37½	AMR				16	3180	58¾	57½	58	−¼
27½	23¼	ANR		pf2.67	10.		6	26¾	26½	26½	−¾
16¾	10	ARX		.71t	6.8	10	390	10⅞	10½	10½	−⅛
41½	26¾	ASA		2a	5.2		1109	39⅞	38¼	38⅝	−1⅜
16⅜	9¾	AVX			3.2		93	10½	10	10⅛	−¼
32	22¾	AZP		2.72	9.4	8	556	29¼	28¾	29	+¼
55	26⅝	AbtLb	s	.84	1.9	21	2973	44⅞	43¼	44⅝	+⅝
32	18¾	AccoWd.56			2.1	17	102	26¾	26⅜	26¾	+⅜
14⅞	9	AcmeC .40			4.0		62	10¼	10	10	
9½	6¼	AcmeE.32b			4.9	14	60	6½	6¼	6½	
22⅜	17	AdaEx 1.90e			9.4		62	20¼	20	20¼	+⅛
33⅜	17	AdmMl .40			1.7	10	60	23⅛	23	23	−⅛
20⅜	13	AdvSys.45t			11.	12	90	13⅛	13	13⅛	
32⅞	14⅛	AMD					16537	15	d13½	14½	−¼
12⅝	5⅜	Adobe n					72	6⅝	6½	6⅝	
20¼	15¼	Adob		pf2.40	13.		64	18⅛	17¾	18	
18⅜	7⅜	Advest .12a			.9	10	244	13	12¾	12¾	−⅛
66¼	43¾	AetnLf 2.64			4.7	9	x6393	57½	56½	56⅝	−¼
56½	51½	AetL		pf4.69e	8.9		4	52⅞	52¾	52⅞	+⅛
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 33

NYSE COMPOSITE CLOSING PRICES

Continued from Page 32

[illegible]

12 Month High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Quote Close	Ch'ge Prev. Close
64½	30¾	WiscEP2.68		4.6	12	1144	58	57¼	58	+¾
104	78	WisE pf8.90		8.8		z10	101½	101½	101½	+½
60¼	28⅛	WiscPL2.96		6.5	13	112	54	53	53⅞	+⅞
63	35¾	WiscPS 3		5.8	13	81	52½	52	52⅛	+⅜
36½	22	Witco s 1.12		3.5	11	719	32⅝	32	32	−½
14	8⅛	WolvrW12j				67	9⅛	9⅛	9¼	
49	23¾	Wlwth s1.12		2.8	13	3740	41¼	39¾	40¼	
5⅝	2	WrldAr			2	108	4⅛	4	4⅛	
19¾	19½	WrldVI n				14	19⅝	d19⅝	19⅝	−⅛
51	25⅝	Wrigly s .96		2.2	19	50	44½	43	43⅝	−⅝
4⅛	1⅞	Wurltzr				1	1¾	1¾	1¾	
17½	10½	WyleLb .32		2.8	28	16	11¾	11⅝	11⅝	−⅛
25¾	15	Wynns .60		2.7		55	22⅛	22	22⅛	
		X Y Z								
72¼	45¾	Xerox 3		5.8	16	5171	53½	51⅞	51⅞	−⅜
58¼	54	Xerox pf5.45		9.7		92	56⅛	55⅞	56⅛	+¼
28¾	20⅝	XTRA .64		2.7		171	23⅞	23½	23⅞	+½
17⅝	13½	Yorkin n				304	16½	16¼	16⅝	+⅛
39	27	ZaleCp 1.40		4.0		127	35	34¾	35	+¼
9½	3⅛	Zapata .03j				674	3¼	d3	3	−⅛
49⅞	22⅞	Zayre s .32		1.5	16	5727	23	d21¼	21⅞	−1⅛
29⅞	16¼	ZenithE				209	20⅛	19⅞	20	+⅛
18¼	8	ZenLb s			12	362	8⅞	8⅝	8¾	+⅛
22¾	13½	Zero s .29		2.2	13	82	13¼	d13⅛	13⅝	−⅜
45¾	32¾	Zurnin 1.32		3.7	13	89	35¾	35½	35⅝	
10⅝	10	Zweig n				1423	10¼	10	10¼	

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls – sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-divident or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

Closing prices, October 3

[illegible]

OVER-THE-COUNTER

Nasdaq national market, closing prices October 3

[illegible]

Continued on Page 31

CURRENCIES, MONEY & CAPITAL MARKETS

FOREIGN EXCHANGES

Further pressure likely on pound and dollar

STERLING MAY be about to suffer a very difficult week, and both the pound and dollar look set to come under further downward pressure.

Last week was a fairly quiet one for the dollar, although there were signs that forces were gathering against it in the latter part. The main reason for the dollar's relative stability was support for the US currency by the West German Bundesbank, and fear that European central banks were prepared to take on the market if a strong attack was mounted.

Ministers gathering at the International Monetary Fund meeting in Washington did not reach agreement on co-ordinated policy about currencies and interest rates, but there was a level of accord at the earlier Gleneagles meeting of EEC ministers, about the need for increased stability on the foreign exchanges.

Among the major industrial nations only the US seemed unwilling to commit itself to a steadier dollar, but as the market had realised by the end of the week this is like saying that the whole world has decided to abolish nuclear weapons, with the exception of the USSR.

Without the co-operation of the *Federal Reserve the Japanese* and European central banks are likely to have problems in preventing another dollar depreciation.

By the end of the week dealers were already talking of waiting until Europe was closed and using New York to sell into any dollar gains.

Economic news continued to point to fairly sluggish US growth. August leading indicators fell 0.2 per cent, against expectations of a 0.3 per cent rise. Construction spending rose a surprising 1.1 per cent, but factory goods orders fell 1.4 per cent, which was within the general range of forecasts.

Perhaps the most surprising news was a narrowing of the *August US trade deficit to $13.3bn.* from a record $18.04bn in July, which in turn was revised down to $16bn. Forecasts for the August figure ranged widely between about $13bn, to over $20bn, but the generally expected deficit was around $15bn to $16bn. The market was not particularly impressed with the published figure however, because it was the result of lower imports into the US, rather than showing any resurgence in US exports.

Any optimism over the trade figures was countered by an unexpected rise to 7 per cent from 6.8 per cent in September US unemployment, and a smaller than forecast rise in non-farm *employment.*

The dollar broke through resistance at DM2.0250 around the middle of the week, and through DM2.00 on Friday after the unemployment figures. Only the fear of Bundesbank intervention appeared to prevent an even sharper fall.

Sterling received fairly constant support last week, but without much success. Britain's official reserves fell an underlying $372m last month, but this figure was taken before the period of greatest pressure on the pound, and it would appear that a sizeable amount of the $4bn borrowed recently, under the Treasury's floating rate note issue, may have *already gone in support of the* pound.

The Bundesbank also intervened to stem sterling's decline, leading to suggestions that the pound was now an unofficial member of the European Monetary System. Speculation about early UK membership of the EMS tended to increase as sterling weakened.

The pound fell to a record low against the D-Mark, and on the *Bank of England's exchange rate* index, but if last week was difficult for sterling, the present one promises to be no easier.

Ministers from the Organisation of Petroleum Exporting Countries meet in Geneva today, to debate whether to maintain the present oil production quota ceiling of 16m barrels a day.

£ IN NEW YORK

Oct 3	Close	Previous Close
£ Spot	1.4400-1.4410	1.4355-1.4365
1 month	0.56-0.55 pm	0.56-0.54 pm
3 months	1.75-1.71 pm	1.76-1.74 pm
12 months	6.30-6.20 pm	6.50-6.40 pm

Forward premiums and discounts apply to the U.S. dollar.

STERLING INDEX

	Oct. 2	Previous
8.30 am	68.3	68.7
9.00 am	68.3	68.5
10.00 am	68.3	68.6
11.00 am	68.3	68.5
Noon	68.3	68.4
1.00 pm	68.2	68.4
2.00 pm	68.1	68.3
3.00 pm	68.0	68.1
4.00 pm	68.2	68.1

CURRENCY MOVEMENTS

October 3	Bank of England Index	Morgan Guaranty Changes %
Sterling	68.2	−25.0
U.S. Dollar	109.3	+1.5
Canadian Dollar	76.9	−13.0
Austrian Schilling	133.3	+8.8
Belgian Franc	97.4	−5.7
Danish Kroner	89.9	−2.0
Deutsche Mark	141.9	+19.2
Swiss Franc	170.3	+23.6
Guilder	130.5	+12.7
French Franc	70.5	−12.9
Lira	48.0	−15.7
Yen	216.2	+60.6

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base average 1976=100).

CURRENCY RATES

Oct. 3	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.843728	0.726189
U.S. Dollar	6	1.21480	1.04462
Canadian $	8.63	*	1.44837
Austrian Sch.	4	17.1457	14.6602
Belgian Franc	8	50.5418	43.2396
Danish Kroner	7	9.20332	7.86601
Deutsche Mark	3½	2.44114	2.08455
Neth. Guilder	4½	2.74909	2.35562
French Franc	9½	N/A	6.82609
Italian Lira	12	1694.22 (1)	1441.58
Japanese Yen	3½	187.201	160.684
Norway Krone	8	8.90570	7.64664
Spanish Peseta	—	161.022	137.838
Swedish Krona	8	8.34446	7.14627
Swiss Franc	4	1.97466	1.68790
Greek Drach.	20½	N/A	140.546
Irish Punt	—	0.893245 (1)	0.763334

* C$/SDR rate for Oct. 2; 1.68072
(1) SDR rate for Oct. 2

OTHER CURRENCIES

Oct. 3	£	$
Argentina	1.5355-1.5410	1.0670-1.0700
Australia	2.2640-2.6280	1.5790-1.5765
Brazil	19.81-19.93	13.77-13.84
Finland	6.9840-7.0030	4.8600-4.8630
Greece	191.51-194.88	133.17-135.42
Hong Kong	11.2100-11.2320	7.7945-7.7965
Iran	110.00*	75.95*
Kuwait	0.4215-0.4225	0.29280-0.29300
Luxembourg	59.65-59.75	41.35-41.45
Malaysia	3.7745-3.7845	2.6230-2.6260
N. Zealand	2.8590-2.8690	1.9800-1.9860
Saudi Ar.	5.4015-5.4040	3.7495-3.7500
Singapore	3.1200-3.1265	2.1685-2.1705
S. Af. (Cm)	3.1825-3.2060	2.2135-2.2185
S. Af. (Fn)	6.1215-6.3935	4.2555-4.4445
U.A.E.	5.2900-5.2935	3.6725-3.6735

* Selling rate.

FORWARD RATES AGAINST STERLING

	Spot	1 mth	3 mths	6 mths	12 mths
US Dollar	1.4425	1.4370	1.4249	1.4088	1.3785
D-mark	2.8825	2.8678	2.8374	2.7970	2.7150
French Fr.	9.4400	9.4332	9.3950	9.3327	9.2004
Swiss Fr.	2.3375	2.3238	2.2975	2.2619	2.1897
Yen	222.25	221.18	218.92	215.84	209.62

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu October 3	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgium Franc	43.1139	43.2396	+0.29	+0.92	± 1.5368
Danish Krone	7.81701	7.86601	+0.63	+1.26	± 1.6403
German D-Mark	2.11083	2.08455	−1.25	−0.62	± 1.1127
French Franc	6.87316	6.82609	−0.68	−0.05	± 1.3659
Dutch Guilder	2.37833	2.35562	−0.95	−0.32	± 1.5059
Irish Punt	0.764976	0.763334	−0.21	+0.42	± 1.6683
Italian Lira	1476.95	1441.58	−2.39	−2.04	± 4.0734

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

EXCHANGE CROSS RATES

Oct 2	£	$	DM	YEN	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1	1.443	2.883	222.3	9.440	2.338	3.258	1995	2.001	59.70
$	0.693	1	1.999	154.1	6.545	1.620	2.258	1383	1.387	41.40
DM	0.347	0.500	1	77.10	3.275	0.811	1.130	692.1	0.694	20.71
YEN	4.499	6.490	12.97	1000	42.47	10.52	14.66	8976	9.001	268.6
F Fr.	1.059	1.528	3.053	235.4	10	2.476	3.451	2113	2.119	63.24
S Fr.	0.428	0.617	1.233	95.08	4.039	1	1.394	853.5	0.856	25.54
H Fl.	0.307	0.443	0.885	68.23	2.898	0.718	1	612.4	0.614	18.33
Lira	0.501	0.723	1.445	111.4	4.732	1.172	1.633	1000	1.003	29.92
C $	0.500	0.721	1.441	111.1	4.719	1.168	1.628	997.3	1	29.84
B Fr.	1.675	2.416	4.828	372.3	15.81	3.915	5.456	3342	3.351	100

Yen per 1,000: French Fr per 10: Lira per 1,000: Belg Fr per 100.

EURO-CURRENCY INTEREST RATES

Oct.3	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	8-8½	9⅛-9¼	10⅜-10½	10⅞-11	11-11⅛	11-11⅛
US Dollar	5⅞-6	5⅞-6	5⅞-6	5⅞-6	5⅞-6	6-6⅛
Can. Dollar	8-8½	7⅞-8⅜	8⅛-8⅜	8⁵⁄₁₆-8⁷⁄₁₆	8⅝-8⅞	8¾-9
D. Guilder	5¼-5½	5¼-5½	5⅜-5⁷⁄₁₆	5¼-5⅜	5¼-5⅜	5¼-5⅜
Sw. Franc	1¼-2	1¼-2	3⅝-3¾	4-4⅛	4⅛-4¼	4⅛-4¼
Deutschmark	4⅛-4½	4⅜-4½	4⅜-4½	4⁷⁄₁₆-4⁹⁄₁₆	4⁷⁄₁₆-4⁹⁄₁₆	4⅝-4¹¹⁄₁₆
Fr. Franc	8-9	9½-10¼	8⅞-9⅛	8⅞-9⅛	8⅝-8⅞	8⅝-8⅞
Italian Lire	10-11½	10½-12	11-11⅜	11⅛-11⅝	11-11⅜	10⅞-11⅛
B. Fr. (Fin.)	7-7¼	7-7¼	7⅛-7⅜	7⁵⁄₁₆-7⁷⁄₁₆	7⁵⁄₁₆-7⁷⁄₁₆	7⁵⁄₁₆-7⁷⁄₁₆
B. Fr. (Con.)	7-7¼	7-7½	7¼-7⅜	7⅜-7⅝	7⅜-7⅝	7⅜-7⅝
Yen	5-5⅛	5-5⅛	4⅞-4¹⁵⁄₁₆	4⅞-5	4¾-4⅞	4⅝-4⅞
D. Krone	9½-10	9-9¾	9⅞-10¼	10-10½	10-10½	10⅛-10⅝
Asian $ (Sing.)	5¹¹⁄₁₆-6¹⁄₁₆	5¹¹⁄₁₆-6¹⁄₁₆	5¹¹⁄₁₆-6¹⁄₁₆	5¹¹⁄₁₆-6¹⁄₁₆	5¹¹⁄₁₆-6¹⁄₁₆	6¹⁄₁₆-6⁵⁄₁₆

Long-term Eurodollars: Two years 6¾-7 per cent; three years 7¼-7½ per cent; four years 7¾-8 per cent; five years 7⅞-8⅛ per cent nominal. Short-term rates are call for US Dollars and Japanese Yen; others, two day's notice.

POUND SPOT—FORWARD AGAINST THE POUND

Oct. 3	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.4365-1.4450	1.4420-1.4430	0.57-0.54c pm	4.62	1.79-1.74 pm	4.89
Canada	1.9940-2.0010	2.0000-2.0010	0.44-0.34c pm	2.34	1.28-1.12 pm	2.40
Netherlands	3.24-3.27¼	3.25¼-3.26¼	1½-1¼c pm	5.30	4½-4¼ pm	5.37
Belgium	59.47-60.06	59.65-59.75	18-15c pm	3.32	52-46 pm	3.28
Denmark	10.82¾-10.92¾	10.88-10.89	⅛par ore pm	0.28	2⅛-1⅛ pm	0.60
Ireland	1.0515-1.0580	1.0535-1.0545	0.05pm-0.10pdis	−0.28	0.15-0.40 dis	−1.04
W. Germany	2.86½-2.89½	2.87¼-2.88¼	1½-1¼pf pm	5.72	4⅝-4⅜pm	6.24
Portugal	210.38-212.33	210.75-212.33	61-125c dis	−5.29	205-360 dis	−5.36
Spain	189.74-191.09	190.28-190.56	15-60c dis	−2.36	45-110 dis	−1.63
Italy	1982¼-2004½	1994½-1995½	Par-3 lire dis	−0.90	par-5 dis	−0.50
Norway	10.54-10.67	10.63¼-10.64¼	4-4½ore dis	−4.79	10¼-11½ dis	−4.18
France	9.38¼-9.49¼	9.43½-9.44½	1⅛-½c pm	1.03	4⅝-3⅝ pm	1.77
Sweden	9.84-9.90¾	9.88-9.89	1⅝-1⅞ ore pm	1.82	4⅝-3⅝ pm	1.72
Japan	220¾-222¾	221¾-222¾	1⅛-1y pm	5.74	3¼-3⅛ pm	5.85
Austria	20.17-20.36	20.21-20.24	9⅝-8gro pm	5.45	26⅛-22¼ pm	4.78
Switzerland	2.32¾-2.34¾	2.33¼-2.34¼	1½-1¼c pm	7.06	4⅛-3⅞ pm	6.84

Belgian rate is for convertible francs. Financial franc 60.25-60.35. Six-month forward dollar 3.40-3.33c pm. 12-month 6.48-6.33c pm.

DOLLAR SPOT—FORWARD AGAINST THE DOLLAR

Oct. 3	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.4365-1.4450	1.4420-1.4430	0.57-0.54c pm	4.62	1.79-1.74c pm	4.89
Ireland†	1.3582-1.3700	1.3640-1.3650	0.65-0.45c pm	4.85	2.10-1.60 pm	5.44
Canada	1.3828-1.3875	1.3860-1.3870	0.25-0.28c dis	−2.29	0.85-0.90 dis	−2.52
Netherlands	2.2515-2.2750	2.2575-2.2585	0.14-0.11c pm	0.66	0.40-0.35 pm	0.66
Belgium	41.35-41.70	41.35-41.45	3-5c dis	−1.15	12-16dis	1.35
Denmark	7.52-7.59¾	7.54¼-7.54¾	1.75-2.35ore dis	−3.25	5.50-6.10dis	−3.06
W. Germany	1.9910-2.0125	1.9980-1.9990	0.28-0.25pf pm	1.59	0.54-0.49pm	1.58
Portugal	145½-146¼	145½-146	100-140c dis	−9.86	325-425c dis	−10.27
Spain	131.80-132.75	132.25-132.35	65-85c dis	−6.78	195-230 dis	−6.41
Italy	1377-1392	1382¼-1383¼	6-7lire dis	−5.61	17½-20dis	−5.40
Norway	7.31½-7.39	7.37¼-7.37¾	5.20-5.60ore dis	−8.84	15.75-16.15dis	−8.70
France	6.52½-6.59¼	6.54¼-6.54¾	1.80-2.30c dis	−3.74	4.50-5.25dis	−2.96
Sweden	6.83¾-6.88¾	6.85-6.85½	1.50-1.70ore dis	−2.79	4.90-5.30dis	−2.97
Japan	153.55-154.40	154.05-154.15	0.18-0.13y pm	1.21	0.46-0.41pm	1.13
Austria	14.02½-14.15	14.02½-14.03	⅞-⅛gro pm	0.48	¾pm-1¼dis	−0.07
Switzerland	1.6120-1.6320	1.6195-1.6205	0.35-0.30c pm	2.40	0.83-0.78pm	1.98

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 41.75-41.85.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls—Last Dec.	Mar.	June	Sept.	Puts—Last Dec.	Mar.	June	Sept.
106	5.32	6.40	—	—	0.50	2.00	—	—
108	4.05	5.24	—	—	1.25	2.48	—	—
110	2.56	4.18	—	—	2.10	3.42	—	—
112	1.60	3.22	—	—	3.14	4.46	—	—
114	1.15	2.36	—	—	4.33	5.60	—	—
116	0.48	1.60	—	—	6.02	7.20	—	—
118	0.27	1.27	—	—	7.45	8.51	—	—
120	0.15	1.02	—	—	9.33	10.26	—	—

Estimated volume total, Calls 850 Puts 400
Previous day's open int, Calls 19,602 Puts 5,736

LIFFE £/$ OPTIONS
£25,000 (cents per £1)

Strike Price	Calls—Last Oct.	Nov.	Dec.	Mar.	Puts—Last Oct.	Nov.	Dec.	Mar.
1.30	14.25	14.25	14.25	14.25	—	0.03	0.18	1.05
1.35	9.25	9.25	9.25	9.25	—	0.23	0.71	2.27
1.40	4.25	4.59	4.99	5.45	0.03	1.12	2.04	4.25
1.45	0.57	1.83	2.44	3.25	1.42	3.36	4.49	7.05
1.50	0.01	0.52	1.00	1.78	5.86	7.05	8.05	10.58
1.55	—	0.10	0.34	0.90	10.85	11.63	12.39	14.70
1.60	—	0.01	0.09	0.42	15.85	16.54	17.14	19.22

Estimated volume total, Calls 55 Puts 132
Previous day's open int, Calls 2,358 Puts 3,142

PHILADELPHIA SE £/$ OPTIONS
£12,500 (cents per £1)

Strike Price	Calls—Last Oct.	Nov.	Dec.	Mar.	Puts—Last Oct.	Nov.	Dec.	Mar.
1.30	—	—	13.90	—	—	—	—	0.20
1.35	9.00	—	8.90	9.20	—	—	0.60	2.10
1.40	4.00	4.50	4.90	5.70	0.05	0.90	1.80	4.30
1.45	0.45	1.65	2.20	3.00	1.40	3.10	4.90	7.20
1.50	—	0.45	0.85	1.75	5.70	6.70	7.90	10.30
1.55	—	0.05	0.25	0.75	10.80	11.30	12.10	14.30
1.60	—	—	0.05	0.35	15.80	16.30	16.90	18.60

Previous day's open int: Calls 38,425 Puts 87,331
Previous day's volume, Calls 1,720 Puts 41,609

LONDON

20-YEAR 12% NOTIONAL GILT
£50,000 32nds of 100%

	Close	High	Low	Prev.
Dec.	110-23	111-05	109-18	109-20
March	110-20	—	—	109-17
June	110-20	—	—	109-17

Est volume 13,054 (15,706)
Previous day's open int. 13,517 (13,671).
Basis quote (clean cash price of 13% Treasury 2004/08 less equivalent price of near futures contract) −4 to 4 (32nds).

10% NOTIONAL SHORT GILT
£100,000 64ths of 100%

	Close	High	Low	Prev.
Dec	95-30	95-30	95-16	95-19
March	95-24	—	—	95-14

Est Volume 180 (216)
Previous day's open int. 1,325 (1,255)

THREE-MONTHS STERLING
£500,000 points of 100%

	Close	High	Low	Prev.
Dec.	89.12	89.14	89.74	88.87
March	89.33	89.30	89.12	89.16
June	89.57	89.50	89.45	89.41
Sept.	89.41	89.30	89.10	89.21
Dec.	89.21	—	—	89.01
March	88.96	—	—	88.76

Est. Volume 6,421 (7,457)
Previous day's open int. 12,201 (12,744)

FT-SE 100 INDEX
£25 per full index point

	Close	High	Low	Prev.
Dec.	160.10	160.10	159.00	159.95
March	163.10	162.00	162.00	162.95

Estimated volume 548 (485)
Previous day's open int. 2,444 (2,304)

THREE-MONTH EURODOLLAR
$1m points of 100%

	Close	High	low	prev.
Dec.	94.16	94.18	93.97	94.01
March	94.06	94.09	93.85	93.89
June	93.85	93.86	93.64	93.66
Sept.	93.52	93.51	93.32	93.32
Dec.	93.14	92.94	92.92	92.94
March	92.76	—	—	92.56

Estimated volume 7,081 (3,454)
Previous day's open int. 23,628 (23,451)

U.S. TREASURY BONDS 8%
$100,000 32nds of 100%

	Close	High	Low	Prev.
Dec.	97-07	97-18	95-24	96-02
March	96-10	96-15	95-05	95-05
June	95-10	95-15	94-05	—

Estimated Volume 6,689 (3,999)
Previous day's open int. 6,333 (6,013)

CURRENCY FUTURES

POUND—$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.4425	1.4370	1.4249	1.4088	1.3785

IMM—STERLING $ per £

	Close	High	Low	Prev.
Dec.	1.4275	1.4315	1.4240	1.4245
Mar.	1.4185	1.4185	1.4170	1.4125
June	1.3995	1.3985	1.3940	1.3995
Sept.	1.3845	1.3880	1.3800	1.3815

LIFFE—STERLING £25,000 $ per £

	Close	High	Low	Prev.
Dec.	1.4295	1.4290	1.4257	1.4245
Mar.	1.4180	—	—	1.4045
June	1.3965	—	—	1.3890

Estimated volume 251 (102)
Previous day's open int. 813 (813)

CHICAGO

U.S. TREASURY BONDS (CBT) 8%
$100,000 32nds of 100%

	Close	High	Low	Prev.
Dec.	97-06	97-25	95-19	96-06
March	96-07	96-24	95-19	95-07
June	95-06	95-22	94-21	94-06
Sept.	94-07	94-22	93-25	93-08
Dec.	93-11	93-25	92-29	92-12
March	92-18	92-29	92-03	91-18
June	91-27	—	—	90-27
Sept.	91-06	—	—	90-06
Dec.	90-20	90-26	90-05	89-20
March	90-04	—	—	89-04
June	89-22	—	—	88-22

U.S. TREASURY BILLS (IMM)
$1m points of 100%

	Close	High	Low	Prev.
Dec.	95.05	95.07	94.80	94.84
March	95.00	95.02	94.75	94.75
June	94.80	94.83	94.55	94.56
Sept.	94.50	94.53	94.45	94.36
Dec.	94.14	94.31	94.07	93.89
March	93.77	93.79	93.70	93.53
June	93.41	93.39	93.35	93.17

CERT. DEPOSIT (IMM)
$1m points of 100%

	Close	High	Low	Prev.
Sept.	93.90	—	—	93.67
Dec.	94.56	94.48	—	94.36

THREE-MONTH EURODOLLAR (IMM)
$1m points of 100%

	Close	High	Low	Prev.
Dec.	94.20	94.21	93.99	94.00
March	94.11	94.11	93.88	93.89
June	93.87	93.88	93.65	93.65
Sept.	93.54	93.54	93.32	93.31
Dec.	93.15	93.16	92.93	92.93
March	92.79	92.79	92.58	92.56
June	92.36	92.37	92.25	92.12
Sept.	91.99	92.01	91.84	91.75

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls—Last Dec.	Mar.	June	Sept.	Puts—Last Dec.	Mar.	June	Sept.
88	9.20	9.19	—	—	0.06	0.63	—	—
90	7.28	7.50	—	—	0.14	1.30	—	—
92	5.45	6.25	—	—	0.31	2.05	—	—
94	4.10	4.10	—	—	0.60	2.55	—	—
96	2.55	2.55	—	—	1.43	3.50	—	—
98	1.50	1.25	—	—	2.41	4.56	—	—
100	1.03	2.08	—	—	3.58	6.08	—	—
102	0.41	0.48	—	—	5.27	7.34	—	—

Estimated volume total, Calls 25, Puts 4
Previous day's open int. Calls 609 Puts 833

LONDON SE £/$ OPTIONS
£12,500 (cents per £1)

Strike Price	Calls—Last Oct.	Nov.	Dec.	Mar.	Puts—Last Oct.	Nov.	Dec.	Mar.
1.30	—	—	19.80	18.50	—	—	1.50	2.20
1.35	—	—	—	—	—	—	—	—
1.40	3.95	4.60	5.00	5.90	0.25	1.40	2.35	4.40
1.45	0.65	1.85	2.40	3.50	1.60	3.75	4.85	7.40
1.50	0.20	0.65	1.05	2.00	6.50	7.85	8.50	10.90
1.55	0.15	0.30	0.45	1.10	11.50	12.15	12.85	13.95
1.60	—	0.30	0.45	—	—	—	17.60	19.40
1.65	—	—	0.70	1.50	—	—	18.70	20.20

Previous day's open int. Calls 1,798, Puts 1,920

LIFFE—EURODOLLAR OPTIONS
$1m points of 100%

Strike Price	Calls—Last Dec.	Mar.	June	Sept.	Puts—Last Dec.	Mar.	June	Sept.
93.00	1.16	1.23	1.04	—	0.00	0.07	0.19	—
93.25	0.92	0.92	0.85	—	0.01	0.11	0.25	—
93.50	0.69	0.78	0.68	—	0.03	0.17	0.33	—
93.75	0.45	0.58	0.53	—	0.07	0.24	0.43	—
94.00	0.30	0.40	0.39	—	0.14	0.34	0.54	—
94.25	0.15	0.27	0.28	—	0.25	0.46	0.68	—
94.50	0.07	0.18	—	—	0.41	0.62	—	—

Previous day's open int. Calls 20 Puts 240
Estimated volume Calls 1,334 Puts 1,532

MONEY MARKETS

Dealers worried about game of bluff

LONDON'S FINANCIAL markets ended in some confusion last week, as dealers became apprehensive of being involved in a game of bluff and double bluff with the Bank of England.

UK clearing bank base lending rate 10 per cent since May 22

Gilts finished firmer on Friday, showing gains of over £1 at the *long end, after the authorities* announced three tranches of £200m each in existing stocks. The market went better as dealers reasoned the central bank must know that tomorrow's UK money supply figures are much better than the market fears. Otherwise it was suggested the authorities would not attempt to sell new taplets on such terms, at a time when dealers fear a sharp rise in *clearing bank base rates.*

But the market finished off its best on fears that a game of bluff may be taking place, and that the money supply figures will still be bad.

*Forecasts for the rise in mid-*September money supply vary widely between about 2.25 per cent for sterling M3 and a gain of over 5 per cent. The lower figure would be a relief for all concerned, in spite of the fact that not long ago it would have been considered very disappointing, and is about double the rise in the previous month, which was itself regarded as a disappointment. The median forecast is for a rise of about 3 per cent, but if the figure is anywhere near the top of the range Friday's announcement of £600m in gilt taplets was clearly *an audacious move by the author*ities.

Dealers regard this week as being a possible turning point. If the Bank of England manages to get through until Friday with base rates at 10 per cent, there is hope that rates will still be at 10 per cent by the end of the year.

On the other hand ministers from Opec meet today, and are *unlikely to produce any encourag*ing news for sterling. The money supply figures follow tomorrow, and on the same day the Conservative Party conference opens. This is not a time when the Government will wish to be faced with the prospect of letting sterling slide to further record lows

FT LONDON INTERBANK FIXING

(11.00 a.m. Oct. 3) 3 months U.S. dollars		6 months U.S. dollars	
bid 5 ¹³⁄₁₆	Offer 6 ¹⁄₁₆	bid 5 ¹³⁄₁₆	Offer 6 ¹⁄₁₆

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

BANK OF ENGLAND TREASURY BILL TENDER

	Oct. 3	Sep. 26		Oct. 3	Sep. 26
Bills on offer	£100m	£100m	Top accepted rate of discount	—	9.6865%
Total of applications	—	£313m	Average rate of discount	—	9.6865%
Total allocated	—	£100m	Average yield	—	9.93%
Minimum accepted bid	—	£97.585	Amount on offer at next tender	£100m	£100m
Allotment at minimum level	—	100%			

WEEKLY CHANGE IN WORLD INTEREST RATES

	Oct. 3	change		Oct. 3	change
LONDON			**NEW YORK**		
Base rates	10	Unch'd	Prime rates	7½	Unch'd
7 day interbank	9⅞	+¹³⁄₃₂	Federal Funds	5⅞	+¹⁄₁₆
3 month interbank	11	+⅛	3 Mth. Treasury Bills	5.27	−0.11
Treasury Bill Tender	—	—	6 Mth. Treasury Bills	5.42	−0.19
Band 1 Bills	9⅞	Unch'd	3 Mth. C D	5.73	−0.10
Band 2 Bills	9¹³⁄₁₆	Unch'd	**FRANKFURT**		
Band 3 Bills	9¾-9¹³⁄₁₆	+¹⁄₁₆	Lombard	5.5	Unch'd
Band 4 Bills	9¹³⁄₁₆	Unch'd	One mth. Interbank	4.575	+0.05
3 Mth. Treasury Bill	10⅛	+⅛	Three month	4.575	+0.05
1 Mth. Bank Bills	10¹⁄₁₆	−¹⁄₁₆	**PARIS**		
3 Mth. Bank Bills	10³⁄₁₆	+³⁄₁₆	Intervention Rate	7.00	Unch'd
TOKYO			One mth. Interbank	7⅛	+¹⁄₁₆
One month Bills	4.78125	−0.1875	Three month	7⅜	+³⁄₁₆
Three month Bills	4.84375	+0.0625	**MILAN**		
BRUSSELS			One month	11	+¹⁄₁₆
One month	7⅛	Unch'd	Three month	10¹³⁄₁₆	+⅛
Three month	7¼	Unch'd	**DUBLIN**		
AMSTERDAM			One month	10⅞	+⅞
One month	5⁷⁄₁₆	+¹⁄₁₆	Three month	11⅞	+⅞
Three month	5⁹⁄₁₆	−¹⁄₁₆			

London—band 1 bills mature in up to 14 days, band 2 bills 15 to 33 days, band 3 bills 34 to 63 days and band 4 bills 64 to 91 days. Rates quoted represent Bank of England buying or selling rates with the money market. In other centres rates are generally deposit rates in the domestic money market and their respective changes during the week.

MONEY RATES

NEW YORK (4 p.m.)

		Treasury Bills and Bonds			
		One month	4.87	Three year	6.40
		Two month	4.99	Four year	6.64
Prime rate	7½	Three month	5.24	Five year	6.75
Broker loan rate	6¾-7	Six month	5.37	Seven year	7.09
Fed. funds	5⅞	One year	5.59	10 year	7.29
Fed. funds at intervention	5¾	Two year	6.14	30 year	7.53

Oct. 3	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	4.05-4.20	4.50-4.65	4.50-4.65	4.50-4.65	4.50-4.65	5.5
Paris	7¼	7⁵⁄₁₆-7⁷⁄₁₆	7⁵⁄₁₆-7⁷⁄₁₆	7⁵⁄₁₆-7⁷⁄₁₆	7⁵⁄₁₆-7⁷⁄₁₆	7
Zurich	⅞-1⅛	3¹¹⁄₁₆-3¹³⁄₁₆	—	4⅛-4⅛	—	—
Amsterdam	5½-5⁵⁄₁₆	5⅜-5½	—	5⁵⁄₁₆-5⅜	—	—
Tokyo	4.71875	4.78125	—	4.84375	—	—
Milan	10¾-11¼	10¾-11¼	—	10¾-11⅛	—	—
Brussels	7	7⁵⁄₁₆-7⁷⁄₁₆	—	7⁵⁄₁₆-7⁷⁄₁₆	—	—
Dublin	8¾-9¼	10½-10¾	10½-10¾	11¾-12	12⅞-13⅛	—

LONDON MONEY RATES

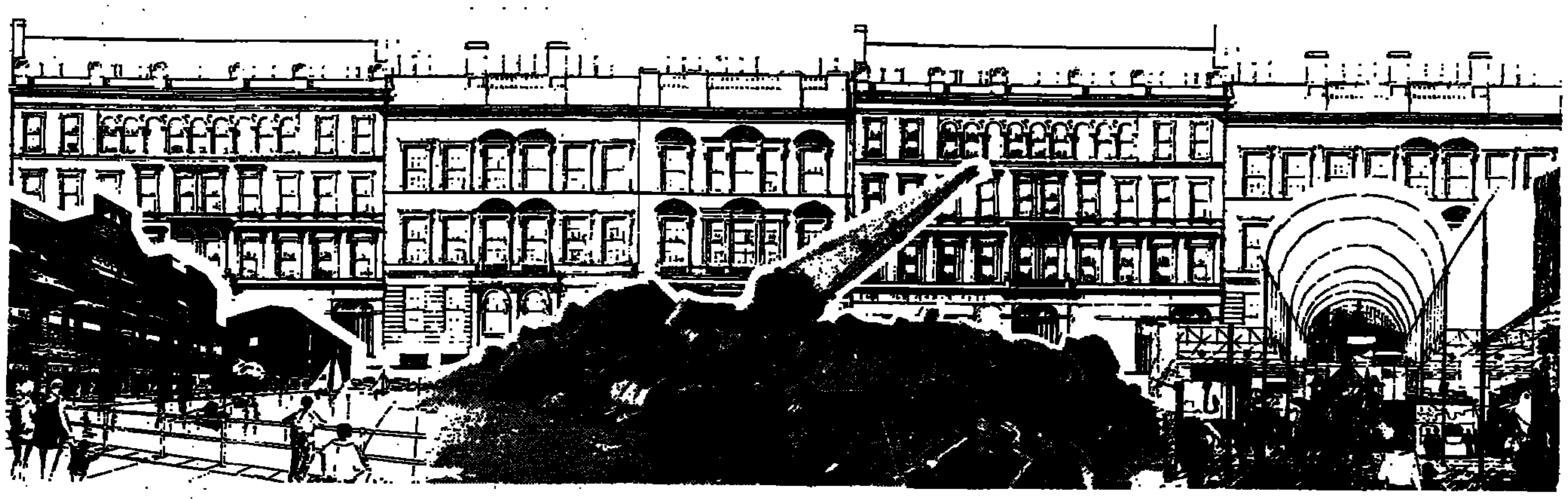
Oct. 2	Over-night	7 days notice	Month	Three Months	Six Months	One Year
Interbank	4-9¾	9¾-10	10¼-10⁵⁄₁₆	10⅞-11⅛	10¹³⁄₁₆-11⁵⁄₁₆	11-11¼
Sterling CDs.	—	—	10³⁄₁₆-10⁵⁄₁₆	10¾-10⅞	10⅞-11	10⅞-11
Local Authority Deposits	8½-9½	9¾-9¾	10¼-10½	10⅞-11	10¹³⁄₁₆-11¹⁄₁₆	11-11⅛
Local Authority Bonds	—	—	10⅜	11⅛	11⅜	11⅜
Discount Market Deposits	4-7½	9-9⅝	10	10	—	—
Company Deposits	8-9½	9½-9⅞	10⅜	11	11	11⅛
Finance House Deposits	—	—	10⅜	11-11³⁄₁₆	11⅛	11⅛
Treasury Bills (Buy)	—	—	10½	10⅛	—	—
Bank Bills (Buy)	—	—	10⅟₁₆	10³⁄₁₆	10⅝	—
Fine Trade Bills (Buy)	—	—	10¹¹⁄₁₆	11³⁄₁₆	11¼	—
Dollar CDs.	—	—	5.90-5.95	5.80-5.85	5.80-5.85	6.00-6.05
SDR Linked Deposits	—	—	6⅛-6⅜	6³⁄₁₆-6⁷⁄₁₆	6³⁄₁₆-6⁷⁄₁₆	6⁵⁄₁₆-6⁹⁄₁₆
ECU Linked Deposits	—	—	7⅛-7½	7⅛-7½	7³⁄₁₆-7⁷⁄₁₆	7⅛-7⅝

Treasury Bills (sell): one-month 10⅛ per cent; three-months 10½ per cent. Bank Bills (sell): one-month 9¹³⁄₁₆ per cent; three months 10¼ per cent. Treasury Bills: Average tender rate at discount —. ECGD Fixed Finance Scheme IV reference date August 6 to September 2 (inclusive): 9.890 per cent. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 10 per cent from October 1, 1986. Bank Deposit Rates for sums at seven days' notice 4.35-4.375 per cent. Certificates of Tax Deposit (Series 6): Deposit £100,000 and over held under one month 9½ per cent; one-three months 9¾ per cent; three-six months 10 per cent; six-nine months 10¼ per cent; nine-12 months 10¼ per cent. Under £100,000 9½ per cent from September 23. Deposits held under Series 5 10¾ per cent. Deposits withdrawn for cash 5½ per cent.

FINANCIAL TIMES SURVEY

A start has been made on revitalising Britain's cities but there remains dissatisfaction with the rate and extent of progress. The Government is hoping a new grants package will stimulate further private sector involvement and may announce soon a new list of development corporations.

Urban Renewal



High cost challenge still to be met

By Rhys David

ONLY THE most unobservant can have failed to notice the dramatic changes that have been taking place in the centre of many of Britain's big towns and cities.

In Manchester, the old Central station, used only as a car park for many years, is now an exhibition hall while close by other nineteenth century canal and railway buildings have been converted for a variety of other commercial and leisure uses.

In Hull and Swansea yachts now fill the inner city docks instead of merchant ships and new hotels and restaurants have sprung up alongside. In smaller centres, too, the process of urban renewal has been at work. Along the line of the Leeds and Liverpool canal in Lancashire, for instance, derelict buildings have been reclaimed and turned to new use, and Wigan Pier is well on the way to transformation from music hall joke to tourist attraction.

After years of apparent inactivity when large tracts of Britain's cities with uses developed for the 19th century appeared immune to change, the keys to bringing life back to these areas appear to have been found, even if not all the doors are opening too easily.

The Government, which is expected to announce soon the setting up of a number of new urban development corporations to carry the process of renewal a stage further, has shifted the emphasis of its urban policy away from the solution of social problems through the provision of new community and other facilities—the pattern set for most of the early years of urban policy by both parties when in power—towards economic regeneration.

Public money, in other words, is only being spent where it can act as a pump primer to persuade the private sector to undertake schemes which it would otherwise have considered offered too poor a rate of return.

Local authorities with varying degrees of willingness have followed, entering into partnership arrangements with the private sector in the housing field and releasing land they had previously held on to. The statutory undertakings such as British Rail have been persuaded to do likewise, though considerable tracts of derelict land—some 250 sq miles in all—remain in Britain's urban areas.

Builders and developers have also had pressing reasons for turning to renewal. Public opinion has moved decisively away from comprehensive redevelopment of city centres as practised in the 1960s and 1970s. There has instead been a demand for new uses to be found for sound old buildings—such as the many dockside warehouses being converted into offices, shops, and houses, and for new buildings to blend in sympathetically with the old.

At the same time builders have very often had to locate even new housing development in city centres because of lack of opportunities elsewhere. Green field development is widely opposed right across the political spectrum and in the south east where parcels of land do become available its effective cost can exceed that of previously used urban land, very often putting new houses beyond the reach of first time buyers.

A further push in the direction of city centres has come from the host of organisations now involved in promoting schemes and very often assisting them.

The English Tourist Board, for example, sees urban tourism as one of the main growth markets it will need to develop in the future as rising affluence and increased leisure enable more people to take short breaks. Through its tourism development action programme it has backed initiatives in Bristol, Bradford and elsewhere which will enable those centres to capture a growing slice of this market.

Funds

Other bodies, too, such as the ETB, have funds to offer for urban renewal schemes, among them. English Heritage, which holds a watching brief for England's historic buildings, and the Civic Trust, the protector of the urban environment. Though generally small, these funds have been used in several cases where other Government funding such as Urban Development Grant is not available.

Yet, for all the evidence that changes have been taking place, in attitudes as well as in the physical environment itself, doubts remain over the scale and speed with which urban renewal is happening. The comparison most frequently made is with the US where similar problems of urban decay appear to have been tackled much more expeditiously, transforming cities like Baltimore.

The complaints most commonly voiced in Britain by those involved in urban renewal are "too much bureaucracy and politicking," on the one side, and a "lack of vision and of willingness to take the long view," on the other.

The problems with UDG, the Government's main pump-priming agent, neatly encapsulate what is meant. The UDG allocation has been underspent in each of the years in which the grant—designed to provide the required element of subsidy to enable a developer to go ahead with a scheme which would otherwise not provide him with an adequate return — has operated.

Delays in obtaining approval for grant applications which have to be forwarded through local authorities (which contribute 25 per cent of the cost) to the Department of the Environment are frequently cited. Inner City Enterprises the agent/developer backed by a number of financial institutions drew attention recently to what it claimed was a seven month wait for one application to be accepted.

Only to be expected, the DoE replies. Public money is, after all, involved and the lessons of De Lorean have been learned. Many of the applications, too, the DoE alleges are very badly drafted and they are sifted, moreover, not by faceless bureaucrats but by private sector secondees.

Even when schemes do win grant approval, developers argue, they still have to secure planning approval and this too, as Savacentre—subject to long delays on a £75m scheme at Merton in London—points out, can be very time-consuming.

The charge against the development side is that outside housing—an unexpectedly large user of UDG—and retailing there has been a reluctance to take on schemes, particularly away from London.

Developers are also accused of being interested mainly in quick returns and this it is argued has stood in the way of the reclamation of larger areas requiring probably many years of patient effort. This contrasts with the US where a consultant/developer will be involved from the inception of a scheme and will commit himself to the long-term rejuvenation of an area and to management of the scheme concerned.

"Most of the projects in Britain are undertaken in isolation because developers want to get in and out. There is not enough master vision behind schemes," observes Miles Collinge, development director of the ETB.

Wherever the truth lies the result is that renewal has, in many cases, still only touched areas—such as the centres of some of the big conurbations—

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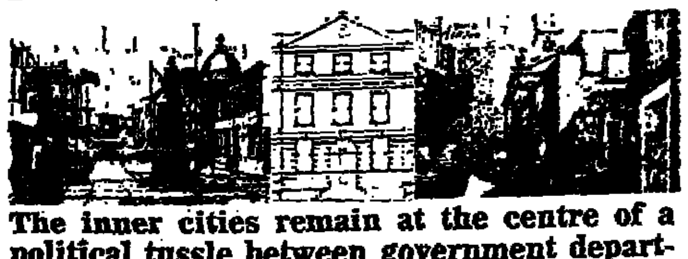
view made possible by the government allocating Derelict Land Grants for the project on a rolling basis. This has meant a constant flow of funds to eliminate in advance the excessive downside risk that developers would face if they had to prepare the sites themselves.
This in turn has meant that Salford city council has not been faced with the uncertainty that would arise from having to bid for money in separate parcels year after year. This has

A fight for resources



The inner cities remain at the centre of a political tussle between government departments, writes Robin Pauley.

IT IS now a decade since studies of worsening urban problems in Britain were undertaken by the then Labour Government. They culminated in the 1977 white paper "Policy for the Inner Cities" which remains the basis on which the seven most deprived areas of England receive special financial assistance.

The seven areas are known as partnership authorities on the basis that the local authority and the Government work in concert to try to ameliorate the inner city decay. They are Birmingham, Hackney, Islington, Lambeth, Liverpool, Manchester-Salford and Newcastle-Gateshead. Until 1983 Hackney and Islington formed a joint partnership.

Each year partnership committees, each chaired by an Environment Department minister, prepare an inner area programme on a rolling three-year basis. The committees include local councillors and civil servants from other government departments. Although the local authorities are the main driving force they must consult the local private sector, local voluntary and community groups including ethnic minority groups. All projects undertaken in the IAP are backed by a 75 per cent Government grant.

The partnerships were identified on the basis of eight indicators of deprivation: unemployment, overcrowded households, single parent households, households lacking exclusive use of amenities, pensioners living alone, population change, standard mortality rate and residents where head of household was born in the Commonwealth or Pakistan. Although the first partnership strategies were published in 1978 the same areas remain on the list so whatever improvements have been made they have not been relatively greater than improvements in other areas.

In the early days of Mrs Thatcher's first Government ministers were not greatly interested in the inner cities and even now the only two ministers who have made much of a lasting public impression in their roles as partnership chairmen have been Mr Michael Heseltine, who took a very high profile as the Liverpool chairman after the 1981 urban riots, and Mr Tom King, who chaired the Birmingham partnership.

In July 1981 the Government changed the emphasis of the programme, which had been heavily weighted towards social projects. Guidelines were issued listing three main aims: securing economic regeneration, improving the environment and ensuring that local services and amenities are geared to the particular social needs of the local communities. Priority should be given to capital projects rather than those which are heavily weighted with revenue expenditure. Since then ministers have increasingly laid more stress on economic regeneration as the most important of the three criteria.

Although a variety of new grants — urban development grants, urban regeneration grants etc — have become available to all local authorities in recent years the general trend has been for the Government to cut its contributions to local authority finance. This has had a particularly sharp effect in the partnership authorities because their receipts from the Government through the Rate Support Grant have fallen in most years and money available through the urban programme has also fallen in most years.

The total urban programme resources grew slowly in real terms from £186.3m in 1981-82 to £236.8m in 1984-85 (in 1981-82 prices) but then fell back to £219.5m in 1985-86 and a further fall is projected for the current financial year. But within the urban programme the most deprived areas, the partnerships, fared worse than this. Their real resources were £89.2m in 1981-82; this figure jumped dramatically to £112.8m in 1982-83 as a result of the Government's decision to put much more money into the worst areas after the 1981 riots. This scale of increase was not repeated, however, and real resources for the partnerships fell the next year to £112.4m followed by further declines to £109m and £102.5m in the following two years.

To take Islington as an example, this means that its partnership allocation in real terms is now at its lowest level since 1979-80, the changing pattern of resources in November 1979 prices going up from £4.8m in 1979-80 to £6.7m in 1980-81, back down to £5.8m in 1981-82 before leaping up to £7.6m in 1982-83 and then falling to £7.2m, £6.9m and £6.5m in the next three years.

But even in the years where Islington was gaining in real terms from partnership money it was losing more than the gain through the Rate Support Grant system. For example, between 1979-80 and 1983-84 Islington lost a total of £77.6m in RSG at 1981-82 prices against a cumulative gain of just over £43m from the urban programme. This picture was repeated in most partnership authorities but not all: Hackney, Britain's most deprived borough on the Government's partnership criteria gained more than it lost.

An optimistic note for the partnership authorities is that both the present Environment Secretary, Mr Nicholas Ridley, and the urban affairs minister, Mr John Patten, are keen to see substantially more funds going into the most deprived and decayed inner city areas. However, it remains to be seen whether such extra resources will be allocated through the partnerships or whether the local authorities will be by-passed altogether through the creation of more urban development corporations.

Partnership without fuss

Partnership between government, local authority and the private sector has emerged without fuss at Salford Quays, a project that will integrate the derelict port of Manchester back into the community, as Ian Hamilton Fazey reports here.

WHILE THE international decline of the old deep-sea shipping routes has focused attention on the problems of London and Liverpool, there has been much less fuss about the position of Britain's formerly third largest port, Manchester.

Yet its problem is also vast. The Manchester Ship Canal created the port, a large dockland in Salford only two miles from Manchester city centre. Today, its container cranes and the fleet of straddle carriers that used to move containers about are clustered on weed-infested quaysides in a vain wait for buyers from anywhere.

A few hundred yards away, however, regeneration is already well advanced. Factory units have been built and are full. New jobs have been created. There is bustle and obvious growth.

Farther into the disused port, near the old office block that is the headquarters of the Manchester Ship Canal company (MSCC), there is a higher profile to the development. For here is the showpiece project of Salford Quays, at the heart of the old port and in a place very visible to thousands of people passing by it every day.

Salford Quays is the project that will reintegrate the derelict port of Manchester back into the community. The city of Salford has bought the land there to become the major driving force, the government has put in £2.7m for reclamation work, and the MSCC has added £1m for site work.

In less than a year, major projects have been established quickly, most due to for completion within another 12 months. They include a multi-screen cinema by EMI, a hotel by Copthorn, a business park for light industry, a cluster of private housing and a leisure and shopping centre.

When complete, the 150 formerly derelict acres will accommodate 120,000 sq ft of commercial property, 600 homes, 75,000 sq ft of leisure facilities and 2,000 jobs. This renewal of a spent urban environment will cost £175m, with at least £150m of that coming from the private sector.

Salford Quays was inaugurated in the spring of this year by Mr Kenneth Baker when he was Environment Secretary. This gave the scheme a degree of official blessing that underlines its importance, not only as a piece of urban renewal in itself but also as a possible model for elsewhere.

What is important from the policy-making point of view is that there has been no need to set up a quango to force things through. Partnership between government, local authority and the private sector has emerged without public fuss, rancour and (as in Liverpool) opposition from a Labour council to anything promulgated by a Conservative Government.

For Salford Quays itself, there is even a private development agency — Urban Waterside, the first of its kind in Britain — to co-ordinate all the different interests.

The development has to be viewed, however, within the context of Manchester Docklands as a whole. The role of the MSCC — itself a public company — is the crucial one. It recognised early on that its expertise is not in property development and its policy has therefore been to attract private sector partners with the relevant know-how. The MSCC has other developable property, too — green fields much farther away from the centre of greater Manchester — that has made the company subject to an unwelcome takeover bid by a property developer, but the outcome of that should not alter the overall principles of renewal and regeneration in the docklands.

The key to the way things have developed was the designation of the Salford and Trafford enterprise zones in 1981. These include and straddle the docklands and canal. The MSCC owned 66 per cent of the land in the Salford zone and 13 per cent of that in the Trafford zone.

Money from the urban programme and also derelict land grant made it possible to start getting land up to scratch for development very quickly. In the five years that have followed there has been a commercial boom in the zones.

Indeed, on the MSCC's land as a whole, the principle of public funds levering much larger sums from the private sector has been well illustrated. Up to 1984, £2.7m of public money levered £8.1m from private sources. Projections are for the leverage to grow dramatically: £1.2m levering £14.1m in the short-term and another £3.2m levering £20.1m in the long run.

Salford Quays, however, looks like being the real jewel, something that will underline how partnership can really work on a grand scale in urban renewal and regeneration.

The key has been the long made possible the proper planning, and the appointment Shepheard, Epstein and Hunter, a London firm of architects and town planners, as consultants, with Ove Arup and partners the engineer consultants.

In principle, the mechanism of funding is similar to that for the two urban development corporations for the London and Liverpool docklands — but without having to set up a quango with powers to by-pass the local authority and thus create inevitable tension, if not antagonism.

As would be expected, water plays a key part in the overall plan. Old docks are being dammed to separate them from the highly polluted canal so that with Salford Quays itself a clean water regime can be established.

However, the scheme is also expected to benefit from the £2bn Mersey basin initiative, which the European Commission is funding heavily. This aims to clean up the 1,000 waterways which eventually drain into the Mersey, mostly via the ship canal, which has over the years replaced the upper reaches of the Mersey as the basin's main drainage channel.

At present, Salford Quays looks like a vast dockside building site but its second year should see more development briefs out for tender for work to begin on more quays, as well the gradual establishment of the first year's planting and landscape programme. The signs of progress will then be very visible indeed.

Costly challenge still not met

Continued from previous Page

which have existing retail or other strengths which can be built on or which offer opportunities for tapping the demand for home ownership.

The Government, with the Housing and Planning Bill still before Parliament has introduced a new instrument—the Urban Regeneration Grant—which would meet some of these points. It will be payable at Whitehall's discretion in support of a wide range of schemes, but it is hoped one of its main uses will be for larger scale projects than are currently coming forward for UDG support.

More importantly it will be developer-led with applications going straight to the DOE, rather than through local authorities, though planning permission will still have to be sought, making continued co-operation with the local council vital.

The private sector is also seeking to co-ordinate its own efforts more effectively through a new body Phoenix which will try to act as a catalyst getting schemes going and maintaining their momentum.

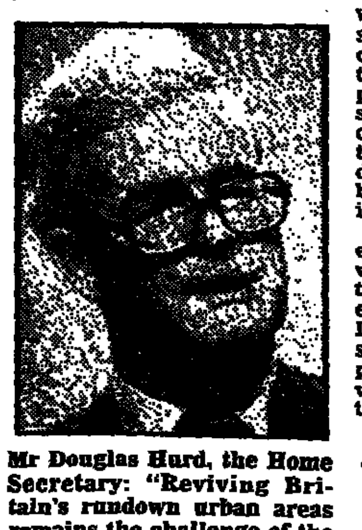
In some cases, however, an even wider approach may be needed and there has been strong interest this year in the idea of extending in one form or another to other areas the development corporation model which is seen to have been so successful in London Docklands.

These bodies set up by the incoming Conservative Government in 1979 with substantial funding and wide planning powers have by ploughing money into infrastructural improvements succeeded in generating private sector confidence. In London, in particular, the results have been spectacular: City institutions, Fleet Street newspapers and a variety of businesses, mundane and high technology, have moved on to sites around the disused dock systems north and south of the Thames.

The area has also begun to gain population as first home-buyers have moved into low-cost housing and the wealthy have taken over flats in converted warehouses with river views.

The Government is known to find the idea of extending the development corporation model to other areas very appealing, though the possibility is said to be still under consideration. Officials stress that no ready-made schemes are on the shelf waiting to be dusted off, and that the shape and form of any new bodies would still have to be decided.

Another approach which is likely to be encouraged in other



Mr Douglas Hurd, the Home Secretary: "Reviving Britain's rundown urban areas remains the challenge of the remaining years of the twentieth century."

areas, where the problem is still large but not sufficient to justify a full scale development corporation, is the creation of a joint private/public sector agency. In areas where such a body could be agreed upon, the Government would put money on offer through URG.

This would put in place what would seem to be a comprehensive battery of possible aids, covering a wide variety of targets—UDG, for indivdual projects; URG, for bigger schemes, and development corporations for very large tracts of land, possibly extending in some cases across the boundaries of several authorities.

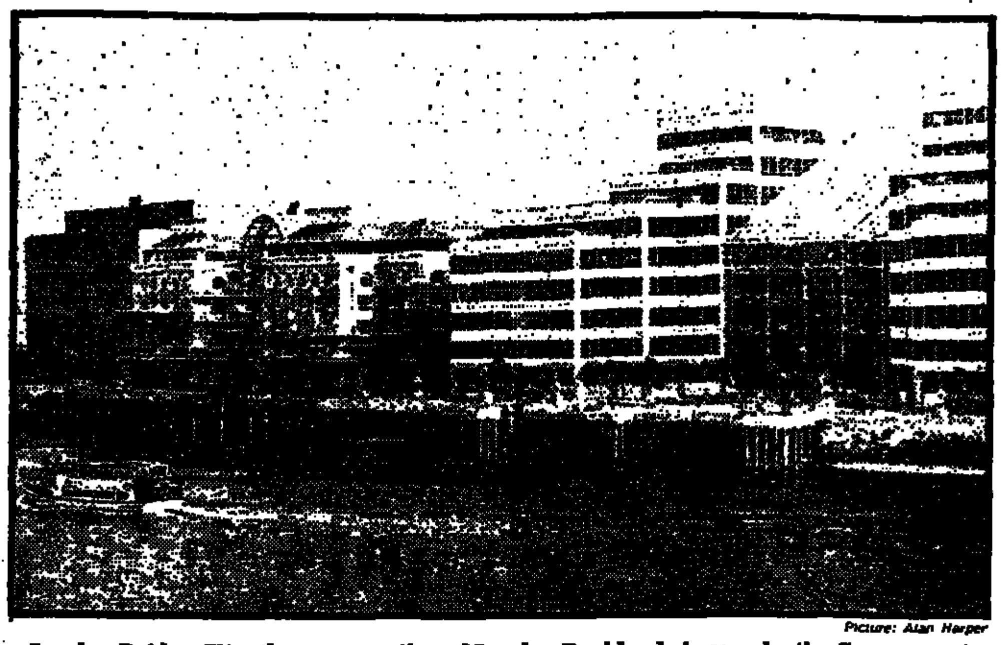
Whatever the structure in the end, the success of all the various initiatives is still likely to depend on the funds the Government is prepared to commit. London Docklands has been a success, not least because of its proximity to the City at a time of vigorous expansion in its activities.

It has also been very well funded by the Government. Total expenditure to date amounts to more than £250m. of public money and this has been responsible for generating a further £1.2bn from the private sector.

In other areas the amount the Government may have to spend on infrastructure, simply to attract private sector interest, could be much greater even than the large sums made available in Docklands.

Though a start has been made in a number of centres, the process of urban renewal still has a long way to run and is not going to come cheaply.

Bureaucracy leads to aid conflict



Picture: Alan Harper

London Bridge City: the regeneration of London Docklands is seen by the Government as the major success story of its urban policies.

The Government's machinery for Britain's urban renewal programme is a complex and counter-productive muddle, as Robin Pauley reports here.

IT HAS SEEMED at times during the past year that more energy has been exerted in the contest between departments and ministers who want to run Britain's urban programme than has been put into the programme itself.

Nobody in Whitehall doubts that the present arrangements are a bureaucratic and counter-productive muddle: the Treasury, Environment Department, Home Office, Department of Education and Science, Department of Health and Social Security, Department of Trade and Industry, and the Department of Employment all have a finger in the pie, together with Wales and Scotland when inner city problems in those areas are involved.

Each department has to be consulted and its replies circulated and considered in what amounts to a whirlwind of paper. In addition, each department has responsibilities for certain bits of the programme and therefore control over some of the expenditure.

This leads to conflict about the priority which Government aid for the inner cities should receive. Some ministers, notably Environment ministers, have argued consistently for more resources. Others have argued against, and the Treasury, whose principal role is to try to curtail public expenditure, has managed to force real cuts in the urban programme in recent years.

The political emphasis of what the urban programme should be doing has changed over the years, too. The aim of improving the local environment through better environment and housing, coupled with social projects such as community centres, has given way to a growing belief within the Government that economic regeneration is the answer and, within that, job creation has assumed more significance. This partly accounts for the fact that the Employment Department has been trying to become the controlling department even though the Environment Department dispenses nearly all the funds available.

While this Whitehall contest has been going on a further political difficulty arose: how to make clear that the inner cities were still regarded as a national priority when the funds available for urban renewal were being cut so sharply — down a further 10 per cent in real terms in the current financial year.

The answer has been a series of new "initiatives" which have been announced with a good deal of publicity but no extra cash and, ultimately, no useful long term effect.

One such was the City Action Teams set up in 1985 with a political fanfare led by the Prime Minister. They were intended to bring together and co-ordinate the work of the Environment, Trade and Industry and Employment departments in the Newcastle, Manchester, London, Liverpool and Birmingham partnership areas.

They resulted in the usual contest between rival departmental civil servants as to who was really leading whom and there is no evidence that they have resulted in more effective direction of inner city resources. But they did result in one important change: last autumn the political centre to which the City Action Teams report was switched away from the Environment Secretary to Lord Young, the Employment Secretary, consolidating the Employment Department's grip.

The 1986 version of the 1985 City Action teams exercise was the formation of eight City Task Forces to tackle the problems in eight of the worst areas of deprivation. For the first time the Government homed in on very small and specifically defined areas. They were North Peckham and Notting Hill in London; Chapeltown in Leeds; north central Middlesbrough; the Highfields area of Leicester; Moss Side in Manchester; St Pauls in Bristol; and Handsworth in Birmingham. They have a total population of 300,000 people.

The most important aspect as far as the political tussle is concerned was that the Employment Department again succeeded in taking the lead role, with Lord Young, Employment Secretary, and Mr Kenneth Clarke, his deputy, in charge of the project. Both ministers are in the Cabinet and they have said that the switch in emphasis to employment and the Employment Department means the main inner city department has two Cabinet ministers rather than one.

This has not, however, led to any decision by the Government to raise funding levels for urban renewal. In spite of arguments for substantially more cash by Mr Clarke, for example, the new task forces were launched with only £8m—£27 per head—which led to ridicule by opposition spokesmen and local authorities.

The task forces have joined the other task forces, such as that for Merseyside, the action teams and the plethora of other groups set up to deal with urban problems but have not so far recorded any greater success than those which went before.

There is a further political dimension to the current problem which is that the most deprived areas are almost without exception in the control of strongly Labour-controlled local authorities which have taken an aggressively hostile line to Government policies. Some even refuse to co-operate with inner city Manpower Services Commission schemes.

This has led some ministers to take the view that as neither votes nor council co-operation are to be had in many of the inner cities there is no point in giving them high priority—a view which has been rapidly dropped in years such as 1981 and 1985 when urban rioting breaks out and makes inner cities a major national and political issue.

Other ministers have taken the view that real progress can only be made on urban renewal if the private sector is at the forefront of investment and economic regeneration. Faced with the ideological resistance of some councils to involvement with private sector, which has led to the low take up of Urban Development Grants requiring a mix of public and private sector cash, the Government is moving towards by-passing local authorities altogether.

For example, some of the urban development grant cash is to be allocated to a new urban regeneration grant which can be paid directly to private developers undertaking investment in the inner cities. This grant is a direct result of local authorities refusing to claim urban development grants in sufficient numbers. Another political development is the Government's intention to create some more urban development corporations.

The two present corporations were established in 1981 to deal with the enormous derelict sites in the docklands of London and Liverpool. The London corporation, in particular, has been an outstanding success, generating a high level of activity in an area which had lain dormant for decades while the various local authorities involved argued about what to do and about who should be responsible for what.

It is only fair to add, however, that the corporation has succeeded largely because it has been awash with government funds of the sort never available to local councils.

Ministers now think that such a single executive body with direct government funding might make headway in some other, smaller areas of decline. South Cardiff, Teesside, Trafford and Salford in Manchester, Hull and Leeds are among sites under consideration for what will probably end up as two or three new corporations.

It is clear that this approach will be the key to the political argument about the inner cities in the next general election. Dr John Cunningham, Labour's front bench spokesman on the environment, has said that Labour would make local authorities the most prominent agency of renewal, including turning control of urban development corporations over to local authority control.

As part of the support from Westminster a Labour Government would consider repaying at least some of the monies lost by the most blighted inner cities through cuts in the urban programme and in the Rate Support Grant.

A major political issue

Labour would involve local communities more in decision-making, while the Alliance parties see constitutional reform as part of the answer to urban problems. Peter Riddell reports on how the Opposition parties would change present policies.

"EACH GENERATION brings a major social challenge and to my mind solving the problems of the inner cities is the challenge for late twentieth century Britain."

This comment by Mr Douglas Hurd, Britain's Home Secretary, highlights the extent to which the problems of the inner cities have now become a major political issue. Each of the main opposition parties has devoted considerable thought to the subject, yet the debate has gone wider than conventional party politics.

Lord Scarman's report, following the Brixton riots of 1981, and the Church of England's best-selling, though controversial report, "Faith in the City," published last December, have both increased public awareness of the problems of the inner cities as much, if not more than, the proposals of any party.

A similar impact has been made by the intervention of Mr Michael Heseltine. When he was Environment Secretary, he entitled his report on the 1981 Liverpool disturbances, "It took a Riot." And, since his dramatic departure from the Cabinet last January, he has toured the country urging initiatives like the urban development corporations in London's docklands and Liverpool which he set up. All this has increased the pressure on the Goverment to expand the resources devoted to the inner cities.

The one common theme is that much more needs to be done, and that there are no easy or short terms solutions. The differences arise over the amount of money to be committed, and the way the money should be controlled. The Opposition's alternatives are wide-ranging. Indeed, Mr Jack Straw, Labour's local government spokesman, comments that "all Labour's policy is urban policy." Labour, he points out, is now the party of the inner cities. The Conservaties now control only one of the 36 metropolitan districts (Solihull, on the edge of Birmingham) and just three of the inner London boroughs.

Similarly, despite its defeats at the 1979 and 1983 general elections, Labour MPs are firmly entrenched in the inner cities—having all but one of the members in Liverpool, Sheffield, Manchester and Glasgow, and the majority in the inner cores of London and Birmingham.

This experience, permeating the party at all levels, affects a whole range of Labour policy applicable to the inner cities. Labour's official environment document, considered by its party conference, said it was wary of seeing these problems in isolation as inner city problems—problems of poverty and unemployment existed everywhere in the UK.

"But we are committed to the improvement of services, such as transport and health, and to the renovation and modernisation of housing, schools and hospitals, which will make our inner cities more attractive to live in. We know that unless significant public sector investment is undertaken, we will not achieve the rapid progress that is necessary," it went on.

Labour is careful to warn that there are no simple solutions but rather a series of policy initiatives. Dr Cunningham says Labour would start by reviewing, and at least partially reversing, the cut in Whitehall grants to partnership and programme authorities of the past few years.

Dr Cunningham accepts that some initiatives will have to cross local authority boundaries, but, significantly, he rejects the Government's approach of using centrally appointed bodies such as the current urban development corporations rather than focussing control on locally elected authorities.

Consequently, Labour proposes the creation of public action zones to involve local communities at a strategic level in decision-making. In certain pressure areas, a Labour government would encourage local authorities to declare such zones. They would have powers of compulsory purchase to bring forward land to meet social, economic and environmental needs. Local authorities will generally develop the land themselves, and rent the final developments, with the exception of housing, which is being separately treated with a more mixed approach.

Mr Straw points to a concern with inner city problems in the emphasis on the renewal of housing, the stress on expanding and supporting public transport and in the various local enterprise initiatives.

Labour's environment team is also, even before the election, to encourage affirmative action by local authorities to ensure increase employment opportunities for minority groups, especially those of Caribbean and West Indian origin.

This reflects the fact that in many areas of the inner cities with a high proportion of black or Asian residents the local authorities often employ a disproportionately low number of such people who experience high unemployment.

Both the Liberals and Social Democrats believe that part of the answer lies in constitutional reforms, such as the introduction of proportional representation at a local level, and partly also in reforms of the local rating system.

In a major statements on urban policy the SDP, for instance, argued for a new framework for policy enabling action by central and local government agencies and voluntary organisations to integrate programmes. In particular, apart from institutional changes, the SDP paper proposed changing the sytem of payments of grants to concentrate money on tackling inner city needs. Moreover, decentralised management would be established of local services to provide the focus for renewal plans.

The SDP, like the Liberals, sees improving race relations and police relations with the community as central to the problems of many inner city areas.

The Alliance parties also see the need for local enterprise trusts giving advice to small firms on raising finance and encouraging community enterprise and small co-operatives.

Strong political will needed

There have been strong arguments over the role of Britain's two urban development corporations, as Ian Hamilton Fazey reports here

CONTROVERSY HAS surrounded Britain's two urban development corporations since they were established in 1981. They were the brainchild of Mr Michael Heseltine, then Environment Secretary, and the job he gave them was to bring the redundant docklands of London and Merseyside back from the dead.

Despite continuing rows about their roles and their future, however, the London Docklands Development Corporation, in particular, can point to spectacular success.

The Government's £250m has levered £1.2bn from the private sector, 8,000 private homes have been built to bring people back to the formerly derelict riverside and hundreds of new businesses have moved in, with more to follow, including most of Fleet Street.

In the north-west, the struggle has been less fruitful, although the Merseyside Development Corporation had a stunning and profitable achievement in 1984 with the International Garden Festival. Its redevelopment of the Albert Dock—Britain's largest collection of grade one listed buildings—is also proceeding very impressively.

But a hoped-for influx of new business on to the corporation's redeveloped land has not materialised. Industry has been slow to follow the bulldozer into Liverpool. Partly, it has been due to image and the area's propensity for political quarrelsomeness, but it is also because Merseyside is not London: it is in the wrong place geographically, and industrial land there has become largely unmarketable.

The corporation is now glad of any jobs it can generate at all. Many of these are going to be based on service, leisure or tourist industries. The redevelopment now under way is concentrating in these areas, and with fair success.

Given what achievements there have been why should there have been so much controversy? The reason is that both corporations have been used by the Government to get resources into key areas of dereliction while by-passing local democratic controls.

Moreover, the money has been spent the way the Government wanted, with no risk of its being channelled into pet projects and approaches favoured by the party in charge locally, which for the most of the corporations' history happens to have been Labour.

The local authorities in the areas had failed to agree for years on how to cope with the docklands and remove the blight they were causing so Mr Heseltine's answer was to give unprecedented powers to the new development corporations. They were made into planning authorities in their own right and could thus ignore local democratic processes and get on with is.

Each has made many concessions to the local communities in order to ease the swallowing of this particular pill. Leading councillors hve been appointed to their boards, sitting alongside industrialists and academics who understand local problems.

These boards were not talking-shops: the industrialists have contributed leadership, profit-oriented experience from the private sector, and a go-getting commitment to making things actually happen.

This was evidenced by the first chairmen of the corporations, Sir Nigel Broackes of Trafalgar House in London and Sir Leslie Young of the Bibby Group on Merseyside. The work helped to earn each of them his knighthood.

Senstive to their "quango" status, the corporations have tried hard to be seen to act responsibly. They have been very careful about whom they have let in as developers, and about the projects they have allowed. They have tried to consult widely—and certainly more so than is common practice by local authorities. But at the end of the day, they have not had to face the verdict of the ballot box and this has been their Achilles heel.

Merseyside's local problems should have been less acute than London's because there were few people actually living within the development corporation's boundaries. The arguments were conducted at an institutional level, with Merseyside County Council shouting loudest that it could have done the job just as well if it had been given the money.

In the aftermath of the Toxteth riots in 1981-82, the constant niggle caused by this protestation is now known to have been an important factor in Mr Heseltine's persuasion of his senior colleagues to put abolition of the metropolitan county councils into the 1983 Conservative election manifesto.

It did not stop the protest and local cold-shouldering of the Merseyside corporation's efforts—a militant-dominated Labour party won control of Liverpool City Council in 1983 and has given the corporation a rough time ever since. It started by withdrawing support for the International Garden Festival.

In London, the docklands area is massively bigger, including 55 miles of water's edge as opposed to less than one-fifth of that on Merseyside. It is also surrounded by council housing and has therefore faced organised protest by local communities at grass roots level, as well as opposition from Labour councils.

Some local council and community leaders have protested that their areas need more housing for rent, not for sale to the well-heeled professionals now movng in.

There is an argument that the problems in the Liverpool and London docklands were so acute because of the sheer scale of the dereliction and, on Merseyside particularly, the depth of collapse of the port-based local economy, that something had to be done.

There is a lot of local support for that case: economic activity of any sort generates other economic activity, bringing life back to run-down communities, and helping them to start renewing themselves by their own efforts.

The question that must be asked, though, is whether the undoubted advances made in the Merseyside and London docklands could have happened without the dose of benevolent dictatorship that the two corporations have brought?

In each case, a multiplicity of local councils and port authorities had fingers in the pie and had too much self-interest to surrender to make co-operation easy.

The moral seems to be that some renewal clearly needs an overwhelmingly thrustful dose of political will if it is to happen at all.

Urban Development Grant: applications and starts

	1983-84 and earlier	1984-85	1985-86	1986-87 (to end August)
• APPLICATIONS RECEIVED:	434	60	87	43
Of which:—				
Withdrawn/transferred	145	14	10	0
Rejected	104	8	9	2
Pending	0	1	11	36
Resulted in offer of UDG which was/is				
Taken up	111	30	42	0
Declined	72	5	2	0
On the table	2	2	13	5
•PROJECTS STARTED ON SITE:				
Number	44	56	47	8
Including:—				
Public expenditure	£16m	£28m	£18m	£14m
Private investment	£73m	£100m	£78m	£77m
Gearing ratio expected	1:4.6	1:3.6	1:4.3	1:5.5

Urban Development Grant Projects

Type of project UDG	Number of projects	Grant (£m)	Private investment (£m)	Gearing ratio
•INDUSTRIAL:				
Factories/workshops/warehouses	57	21.8	81.1	1:3.7
Business expansion	22	7.1	27.0	1:3.8
•COMMERCIAL:				
Retail	31	25.9	144.0	1:5.6
Office	20	4.8	22.3	1:4.6
Tourism and recreation	16	15.0	57.4	1:3.8
•HOUSING:				
New build	37	13.9	55.8	1:4.0
Refurbishment/conversion	22	8.8	22.4	1:2.5
•ALL UDG SCHEMES:	205	97.3	410.0	1:4.2

Source: Department of the Environment

Grants budget under-spent

The disappointing take up of Urban Development Grants has persuaded the Government to look at a new range of mechanisms for getting projects under way, writes Robin Pauley

FEW THINGS highlight the difference between the US and UK attitudes to urban renewal than their better experiences with urban development grant. In the US projects fight with each other for cash; in the UK the Government has to plead with local authorities to submit bids and the budget is underspent every year.

The grants were introduced in Britain in 1982 by Michael Heseltine, then Environment Secretary, at the recommendation of his Financial Institutions Group which had visited the US and been greatly impressed with the effect the grants had had in igniting joint public-private sector developments in areas of severe decline. The group of secondees was established in the aftermath of the 1981 urban riots in Britain.

The grants form part of the Urban Programme which allocates Government cash to declining urban areas. The grant is paid by local authorities to the investors who undertake projects and 75 per cent of the council expenditure is reimbursed by the Government.

So far £98m of Government funds have been allocated to 206 projects in which the private sector has contributed £415m giving an average gearing ratio of about 4 invested by the private sector for every 1 of public sector cash.

These projects, when completed, will provide a total 22,400 jobs, 4,200 homes and the re-use of 653 acres of land in the most deprived parts of Britain's cities.

The grants form top-up cash at a level needed to tip a project over from obviously unviable to a reasonable economic proposition. For example north London's Agricultural Hall, known as the "Aggie," has been slowly deteriorating since 1971, all possible redevelopment plans coming to nought.

It has now been developed into a design and exhibition centre at a cost of £10m but the project would never have started without £2.8m of urban development grant.

However, the successes of the scheme are overshadowed by the extent to which local authorities are not making full use of the scheme and by the lethargic way in which the Environment Department has appraised and dealt with bids.

Earlier this year an investigation by the Commons all-party Public Accounts Committee showed that £100m of possible grants for inner cities had gone unclaimed in the past three years, most of it being underclaims on urban development grants.

The result has been that while the public expenditure white papers show the Government cutting urban programme funds by 13 per cent between 1983-84 and the end of 1985-86, the underspending on grants brought the cut in real terms to 20 per cent.

In the first year of urban development grants £60m was allocated to the scheme but only £7m was paid out. In 1984-85 £48m was allocated to urban development grants but only £15m was taken up, although this later rose on catch-up to £28m. In 1985-86 the allocation was cut again to £40m and only £25m was taken up.

One of the key problems has been that the great majority of the worst areas of inner city deprivation are under Labour-controlled local authorities, a good number of which have expressed ideological objections to the idea of joining with the private sector in commercial and residential developments.

So they have either not made any bids for the grant or like the London borough of Islington, in whose area the "Aggie" is sited, they have bid only in very rare and exceptional circumstances.

Perhaps not surprisingly, the Government has decided to try a secondary way of getting cash into the inner cities. The new urban regeneration grants will be payable directly to private developers. But the price councils have to pay for not claiming the urban development grants is that the new private-only grants will be payable out of the same UDG budget and not out of new urban programme money. Americans involved in urban renewal would shake their heads in disbelief at the lost opportunities.

This has produced the contradiction of councils complaining about cuts in Government cash for local authorities at the same time as Government ministers have been urging them to scoop up tens of millions of pounds of available cash.

The irony is the more marked because a substantial part of the unclaimed grants have been recycled into the London and Liverpool docklands development corporations, non-elected bodies whose creation was strongly resisted by local authorities and which are anyway awash with Government funds compared to the urban areas under council control.

Such a situation would be unthinkable in the US where there are long queues of projects clamouring for grants and where the philosophy of urban renewal dictates that the source of cash is of no import whatever so long as it can be spent.

A further difficulty has been the slow and cumbersome machinery with which the Environment Department processes the grant system. It is intended to mirror the US system where virtually all projects once submitted get processed within the target time of 90 days. But even though there is so little pressure for the grants the Department is taking an average six or seven months to process the bids, which adds substantially to the start-up times and the overall cost of projects.

For example, Mr John Patten, urban affairs minister, recently praised a proposed development in the London borough of Greenwich where a site which has been semi-derelict for 20 years is to be redeveloped into homes, an hotel, workshops, shops, offices, car parking and an open air antique market in a £2.5m scheme which is only viable with £728,000 of urban development grant.

But the scheme's grant application took seven months to clear Mr Patten's department, a delay which added 5 per cent to development costs.

Success in Bristol

Good planning and good fortune have helped the city of Bristol to attract prestige projects, as Rhys David reports

If there is a British Baltimore, a city which can best claim to have come close to matching the revival of rundown areas achieved across the Atlantic, it is probably Bristol.

Its historic harbour, from which John Cabot and other explorers set sail in search of new trading opportunities, fittingly enough in North America, has been transformed over the past ten years from a rundown eyesore in the middle of the city to a thriving commercial, residential and tourist area.

The attractions include SS Great Britain, industrial and lifeboat museums, and the Arnolfini and Watershed Arts centres. It also plays host to an annual international wine fair and to a wide variety of other events. At the same time a total of 272 elegant new houses have been developed in one part of the docks, Baltic Wharf, on the floating harbour close to Brunel's iron steamship in a joint public/private sector scheme, involving the city council, the builders Lovell, the Nationwide Housing Trust and the Bristol and West Housing Association.

Nearby on Welsh Back, Lovell has also just begun the conversion of an old flour mill, Buchanan's Wharf, for housing and commercial use, and a number of schemes for the old WCA warehouse in the same area are currently under consideration.

It is, however, the last major piece in the Bristol Docks jigsaw, Canon's Marsh, which is likely to make the city a prime example of effective urban renewal, if a grand strategy now being drawn up by the Bristol Marketing Board and the English Tourist Board proceeds.

The site itself is large—a total of 33 acres—and occupies a key position below Bristol's 12th century cathedral and close to the commercial and shopping centre.

"In our view it represents not only one of the most exciting opportunities in Britain but possibly in Europe as well," says Tony Byrne, director of the marketing board, a joint initiative of the local council and private sector interests, which has the job of promoting Bristol.

The aim therefore is to settle on a scheme which will reflect the importance of the site and create an asset for Bristol and its hinterland. This means, according to Tony Byrne, high quality achitecture capable of attracting the sort of developments now found in many of the more successful American urban regeneration projects.

It is also hoped to incorporate a suitable backdrop of street entertainment into the final scheme to complement the historic harbour's various maritime attractions. Just as importantly there will be a strong emphasis on management and maintenance. "We want to be sure that a project which looks impressive on completion looks equally impressive three years later."

American expertise may be called upon in devising such a scheme an it is hoped the ideas that eventually emerge will prove sufficiently attractive to encourage institutional investment on a scale not previously seen in a British city outside London. Discussions between Bristol and the English Tourist Board are still at an early stage but a year from now it is expected substantial progress will have been made.

Bristol owes its ability to attract prestige projects of the sort that have already taken place, and are now hoped for, to good planning and good fortune. After the first option—that of filling in the docks—had been set aside, the city council decided in 1975, well before the current vogue for creating new developments around waterfronts, to re-orientate the harbour towards leisure uses, coupled with private and public housing provision.

The city's location relatively close to London and the undeniably good environment it can offer has helped it attract manufacturing and service industry more easily than some other more depressed areas. (With four big insurance companies transferring their head office functions to the city in recent years it now claims to be the biggest insurance centre outside London).

This high level of interest has itself been a bonus in planning terms. Bristol, unlike many other areas with weaker economies has been able to pursue a policy of steering development towards areas in need of revival including the docks. Most of the land in the docks, too, was in the hands of the city council, thus making land assembly considerably simpler than in many other areas.

The city has also managed to compensate for one of its principle disadvantages — its limited access to Government funding for urban schemes — by forging strong links with organisations like the Historic Buildings Council, which provided advice and assistance with the renovation of many of the city's fine 19th century buildings, and with the English Tourist Board.

The board has identified urban tourism as a strong potential growth area and has therefore become increasingly interested in schemes for improving the attractiveness of inner cities. It selected Bristol for its first Tourism Development Action Programme and through the advice and assistance it has been able to provide it has helped to shape the framework within which development has taken place.

The board has made grants of more than £300,000 towards schemes in the harbour representing a total investment of more than £2.6m and has advised on schemes for a new youth hostel and budget hotel. Altogether it has identified possible investments in excess of £50m.

Yet, while Bristol's city centre is evidently capable of looking after itself adequately or even handsomely, other parts of the city exhibit the all too familiar problems of Britain's conurbations. Bristol's Labour council recently brought out a 24 page report on Poverty in the City which reveals that 80,000 people — one fifth of the total inhabitants—live in areas of deprivation. For all the prosperity exuded by the city centre Bristol has some areas of high unemployment, particularly to the south of the city where jobs have been lost in tobacco and packaging.

Four big outer housing estates have been designated for priority action but the work that needs to be done to bring properties back up to reasonable standards and to improve environmental conditions — not to mention to create new dwellings — is hampered by lack of funds and in particular by the burden placed on Bristol by its very large number of defective pre-cast reinforced concrete houses, the second largest in local authority ownership in the UK.

Out of total housing investment programme funds this year of £22m (against a bid to Government of £35m) Bristol is having to spend £7m on PRC properties in order to meet its obligations under the Housing Defects Act. A total of £12m out of the remainder is being spent on maintenance and repair, a hopelessly inadequate figure city council officials argue. This leaves £3m for new building, now largely confined to housing for those with special needs such as the elderly.

Success in the city centre therefore is going hand in hand with worsening problems elsewhere. Even in Bristol some of the big problems facing British cities as they approach the 1990s are present, and the contribution which a revival in rundown commercial areas can make look as if it will only be part of the answer.

A facelift for housing

Builders and local authorities have found common benefits in working together in city centres. Rhys David reports.

LOCAL AUTHORITIES and the big building groups—two bodies whose relationship has not always been characterised by harmony and mutual admiration—have been finding an increasing alliance of interest of late.

Councils are faced with a repair bill estimated at £20bn to bring their existing stock up to standard and have all but given up building new homes to let, other than for groups such as the elderly and handicapped, even where they have land available. Yet, although waiting lists are long, some 1m out of the total local authority housing stock of 4.5m homes are regarded as difficult to let, because of their poor condition, or because they are in the wrong place.

The big builders, such as Wimpey, Laing, and Barratt are faced with the converse of this problem, and with other pressures too. The council house-building programme on which they could once rely for a substantial part of their volume has evaporated, yet they are constrained from building private sector houses where they would most like to by a virtual consensus across the party political spectrum against green belt development. Where land is available its cost very often drives house prices out of the reach of first time buyers.

It is no surprise, therefore, that the builders have turned to the inner cities and to outer housing estates, where similar problems of decay are to be found, in the search for new opportunities, or that their new interest in these areas has been welcomed by local authorities.

Others out of a mixture of commercial good sense and social concern have joined them. The building societies, castigated in the mid 1970s for their policy of redlining certain districts, thus making it difficult to obtain mortgages within them, have now stood this policy on its head. They make special efforts to lend in inner city areas, for what are seen as commercially as well as socially good reasons.

Nationwide for example has set up its own housing trust with total funding of £55m and a brief to get involved in building low cost housing either on its own or in partnership for sale or rent.

"There is not necessarily any conflict, especially for larger societies, between commercial and social objectives. There needs to be action to maintain the social fabric if we are to make profits in these areas on our other lending activities," Mr Tim Melville-Ross, Nationwide's chief general manager points out.

Nationwide's activities in this field and those of its competitors will be further developed after January 1 next year when new legislation covering the movement's operations comes into force. The Halifax, Britain's biggest society, already has plans to spend £100m on building 3,000 houses.

This new found common ground between the private sector and local councils has manifested itself in a variety of partnership schemes aimed at finding solutions to local housing difficulties. The Lovell Group, for example, one of the most active in this field, has recently completed its 5,000th partnership property on a site in Bristol's disused docks.

There, in a fairly typical deal, the local authority sold land to Lovell's Rendell subsidiary to develop 272 houses in Baltic Wharf, an old timber wharf, in partnership with Bristol and West Housing Association and Nationwide Housing Trust. The council received in part payment a group of flats for the elderly.

In a housing estate scheme at Arrowebrook Park in Birkenhead, the Halifax Building Society is providing mortgage finance to enable suitable buyers to acquire two-storey townhouses which before conversion by builders Wimpey had been difficult to let maisonettes. As part of the same development provision has been made for the elderly through refurbishment of blocks of flats, and existing badly run-down shopping facilities have been modernised and made more attractive.

Similarly balcony access flats in London, Salford and elsewhere, have been gutted and turned into pleasant flats for sale, equipped with modern facilities, including secure front entrances, instead of communal lobbies open to potential vandals.

Older housing in inner city areas—much of it often in private hands—is being catered for through another scheme Neighbourhood Revitalisation Services which is sponsored by the National Home Improvement Council, a body which brings together the industry's materials suppliers.

It again is working through partnership with the local authorities to rehabilitate groups of 2,000-3,000 dwellings in areas which constitute identifiable communities. Among the schemes it has undertaken is revival, jointly with Sheffield council, of part of the Hillsborough area of the city.

The basis of most partnership schemes is that the local authority, in return for making assets—land or existing properties—available, secures a major say in the composition of the development. This can mean the right to stipulate the type and price range of the properties to be built and to nominate purchasers from its waiting list.

The local authority will very often, too, get a share of profit either in the form of a new facility such as a community health centre or cash. Its coffers will benefit not just from the sale of assets but from rate income from previously unoccupied land or redeveloped properties.

"We regard it as important to provide a mix of facilities and of tenure—rented, shared equity, and open market—with the profit from one operation being used to cross subsidise others," Mr Don White, managing director of Lovell Urban Renewal, observes.

In many of the schemes, houses are built under a licence arrangement whereby the sale of the property and of the land (which the council transfers separately to the new owners) is kept separate. The absence from the final purchase price of any development charge can help to keep house prices low, and although the builders' margins can in consequence be narrow, return on capital will tend to be higher.

Successful as such schemes have been in towns and cities throughout Britain, partnership housing on the present scale, as the participants would admit is making as yet only a limited impression on Britain's housing problems.

• **BEFORE AND AFTER: how co-operation between Barratt and Glasgow District Council is transforming problem housing. Nearly 500 new homes are being created from blocks of empty, vandalised flats.**

In an attempt to increase the contribution they can make three organisations active in the field—the Nationwide and Halifax building societies and the Lovell building group—have joined forces to form PROBE, an acronym for Partnership Renewal of the Built Environment.

This will have access to £150m from the two societies and will work with local authorities, looking at their housing programmes in the light of the Government finance likely to be available, and suggesting ways in which the finance it can make available can be used to bridge any gaps in provision.

Progress to date has been relatively slow, mainly because the schemes tend to be difficult ones which have defeated other approaches. Only one project—in Swindon—is under way, but a further 24 are under consideration, according to Mr Bernard Rosier, Nationwide's housing manager.

At Swindon the local authorities have made available four sites which they were unable to develop because of Government spending restrictions, and the partnership is building 300 homes for first time buyers, for rental and for the elderly. Part of the profit is being ploughed back into the development of a health centre.

For its part, the Government has welcomed the growth of partnership which it has seen as offering the prospect of introducing private sector participation and disciplines into local authority housing, and it has sought to promotes the concept further through its Urban Housing Renewal Unit (UHRU).

Founded just over a year ago, the unit has visited nearly 70 local authorities which it considered to have problems on its estates, or with its stock and appears to have overcome at least some of the suspicions originally held by local authorities.

Its objective has been to encourage local authorities to involve the private sector in the upgrading process both to generate additional resources and to widen the tenure mix. It also wants to see further development of trusts and co-operatives as a means of managing big council estates, many of the problems of which are now seen as stemming from lack of proper security and management.

The unit itself has access to £50m of the 1986-87 housing investment programme resources which it can make available for improvements designed to complement other schemes being undertaken on estates, an inducement which it is hoped will encourage the private sector to bring forward proposals and local authorities to seek out its aid. So far it has approved packages of aid in about 42 authorities.

Yet, for all the successes achieved by the various agencies, public and private, working in the renewal of Britain's housing, both in inner cities and on outer estates, the limitations are only too evident as well.

The partnership builders admit, for example, that their efforts while valuable in reclaiming derelict property do have as a consequence the removal of housing from the public sector. Private developers, inevitably, fight shy of taking on some of the more difficult estates and parts of estates, which are, in consequence, in danger of deteriorating even further. There are particular problems, too, in areas where large numbers of defective pre cast reinforced concrete houses were put up in the post war rush to increase the number of houses built in Britain each year.

Home ownership at 65 per cent may also have begun to approach saturation, yet few new houses are being built for those who are either unable or do not wish to take on a mortgage. The Housing Corporation, which provides finance for Britain's housing associations, represents one attempt to fill this need but with the limited resources at its disposal can only provide a partial answer.

The building societies are showing interest in developing their activities in the rented sector and have developed a number of part rent/part mortgage schemes to help those who might not otherwise be able to find a full mortgage payment. The Halifax for example issued last year an index linked stock to finance 1,300 shared ownership rented properties and it has recently entered into an innovative financing deal in Cardiff which could enable the housing association movement to increase greatly the contribution it makes towards the provision of rented accommodation.

Progress on these various fronts, however is unlikely to be rapid and councils are bound, for the foreseeable future, to have to shoulder the burden of providing accommodation for the bulk of those who want to rent.

A start has been made on improving housing conditions in the two main areas of stress—inner cities and outer estates. The inescapable conclusion, however, must be that a greatly expanded effort and much more generous financial provision still needs to be made.

Problems in the valleys

The industrial valleys of Wales are still more deprived than most of the UK's inner city areas, as Robin Reeves reports here

Picture by Ted Marthman

In the district of Rhondda at least 12.5 per cent of households are still without a bath.

THE INDUSTRIAL valleys of south Wales still conjure up a powerful image of coalmines, choirs and close-knit communities, a romantic picture which became etched on the imagination of the western world from the moment Richard Llewelyn wrote "How Green was My Valley" and Hollywood turned it into a soap opera.

But the enormous wealth which the unique, but essentially urban, communities which grew up in the Welsh industrial valleys produced in the past was re-invested elsewhere, leaving behind what can only be described as a disgraceful legacy of economic and social deprivation.

The most vivid example is the Rhondda where 60 pits and over 40,000 miners producing top quality steam coal were the motor of the British economy in the years leading up to the First World War. As such, it played a key role in fuelling the rapid expansion of international trade.

Today, the last pit has just closed and though the population has fallen through emigration to less than half its peak level, and there are other sources of employment, the jobless rate is back up to the levels experienced during the pre-war depression. The same can be said of most of the other valleys.

But male unemployment levels of 20 to 30 per cent, exacerbated by a fresh round of pit closures since the 1984-85 miners' strike—resulting in the loss of 7,000 direct Valleys jobs which are difficult to replace—is only one measure of the problem.

In the county of Mid Glamorgan, which covers six of the valley districts, some 20,500 homes, or some 10 per cent of the total, are still officially classified as "unfit," that is they lack one or more basic amenity.

Heading the list is the district of Rhondda which on the last official assessment still has 17 per cent of households without an inside lavatory and 12.5 per cent without a bath.

In reality, the situation may be even worse. Neighbouring Cynon Valley District Council, rather than relying upon a sample survey, recently examined every house in its area and found that nearly 9,000 dwellings were unfit to live in.

The council calculated that these properties required a total of £105m to be spent on their rehabilitation and that at present rates of repair it would take 50 years to complete.

Using another measure of social deprivation, Mid Glamorgan Health Authority recently calculated that it was handling 7,000 more cases than expected each year because of high morbidity rates in the industrialised valleys. It also had 9,300 people queuing for NHS operations, 3,700 of whom have been waiting for admission for more than a year. It calculated it needed an annual growth rate of 1.2 per cent in its budget to cope. It was told to count on no more than 0.5 per cent over the next decade.

A more general measure of the size of the problem emerged in a recent countrywide survey by Durham County Council. This used, as well as housing, a range of indicators to measure deprivation, such as unemployment rates, infant mortality rates, standardised mortality ratio, percentage of the population permanently sick, the proportion with degrees or professional qualifications, and the number of families headed by unskilled workers.

The survey demonstrated clearly that the Welsh industrial valleys, along with parts of the Durham coalfield and the old Cornish mining areas, are still in practice more deprived than most of the inner city areas which are now the subject of so much Government attention and resources.

The reason for their relative neglect when it comes to the allocation of resources for urban renewal, the Durham study suggested, was precisely because the valleys are made up of a dense network of towns and villages: they lack a major urban centre upon which to concentrate aid.

Against this background, it was perhaps surprising that local authorities in the valley showed no great enthusiasm last March when Mr Nicholas Edwards, the Welsh Secretary of State, first unveiled his "Valleys Initiative."

They had no complaint about the objective as set out in the Welsh Office's policy statement, "Community Investment: an Initiative for the Valleys." This was "to bring about substantial and visible improvement in the environments of the town centres and the areas that immediately lead to them."

Furthermore, there was no intention, the statement continued, that the projects should be designed and imposed by those who live outside; rather that ideas to revitalise and improve should come from the communities themselves.

"To achieve the success that is possible will require initiative and an enthusiastic response from those who are involved in the day-to-day life of the community," the policy statement concluded.

The lack of enthusiasm stemmed above all from the level of resources the Welsh Office proposed earmarking for the new initiative—just £3m towards a maximum of six revitalisation projects.

This sum compared, for example, with an outlay of over £2m in the form of Urban Development Grant towards just one hotel project in Cardiff. That incentive finally persuaded Holidays Inns of Canada to go ahead with the construction of a long-promised £9m hotel in the Welsh capital.

When measured against the normal budgetary requirements of six district councils which stood to benefit, the extra outlay represented about the same as the capital allocation needed these days to build an extra 20 council houses. Opposition MPs in Westminster were quick to condemn the initiative as no more than "a lick of paint."

Since then, Welsh Office ministers and civil servants have gone out of their way to stress that the initiative is only in its infancy and that more resources should be marshalled towards it in the future. Mr Edwards is keen to see the initative developing along the lines of UDG; the public money acting as a lever or incentive to attract private capital investment back into the valleys.

At the same time, Mr Edwards chose to couple his announcement of the first schemes to benefit from the initiative with an extension of urban aid status to the Rhymney valley and the district of Ogwr. This will allow these two districts to qualify for Urban Programme aid under the 1978 Inner Urban Areas Act. The surprising fact is that they were not originally included.

A total of seven, rather than the originally planned six, projects were selected for assistance under the initiative, out of a total of 22 schemes submitted by 16 councils. It was also decided to support some parts of the unsuccessful bids.

A catalyst for change

Phoenix, a new organisation which aims to provide the impetus for getting difficult schemes under way has just begun work, as Rhys David reports.

FIVE YEARS after the then Environment Secretary, Mr Michael Heseltine, took a party from the City of London to look at the urban problems of Liverpool, Britain's financial institutions remain the target of criticism for their continued reluctance to become involved in the search for solutions.

For, although big redevelopment schemes are under way in most city centres and on out-of-town sites close to motorway or other important junctions up and down the country, the scale of commercial and industrial, as opposed to retail developments which the institutions have been prepared to back, remains small.

The developments in which the institutions have been prepared to become directly involved have tended to take place, too, in the bigger centres. Many of the trickier problems in inner city suburbs or on more remote locations, such as the south Wales valleys or in the north-east coalfield, are not being tackled.

There has been a reluctance, too, to tackle many of the old industrial sites which have ceased to be required as the traditional manufacturing base of the older regions has changed and shrunk.

Though the institutions can rightly claim they are not primarily in business as risk takers, critics argue that their attitude has been over cautious and that they are missing opportunities to speed up the process of urban renewal.

"They are often more interested in the location of a scheme rather than the rate of return," observes Mr Howard Mallinson, head of the urban renewal consultancy at accountants KMG Thomson McLintock.

Thus, with the institutions tending to stay clear of investment outside London, except where retailing is involved, it has often been only local developers who have sought out Urban Development Grant or Derelict Land Grant for industrial or commercial schemes in non prime areas.

"Institutional investment in property is governed by rental growth which they are prepared to buy at any price. They will only buy, however, where other institutions are buying. There is nothing you can do to encourage financial instiutions to put their money in anything other than shops north of Watford," argues another critic, Nigel Ellis, of surveyors Drivers, Jonas, himself a secondee to the Department of the Environment between 1983 and 1984

Yet while critics argue not enough is being done, those involved in development point in turn to problems they encounter. Perhaps chief among these is alleged local authority bureaucracy, and in particular delays in obtaining planning permission for schemes.

Land assembly is also cited as a major difficulty in many cases, and there are complaints over the length of time taken by the DoE in processing applications for UDG, without which many schemes are not viable.

It is in untying some of these knots that a new body, Phoenix, which has just begun operations believes it will have a role. Sponsored by a range of public and private sector bodies from builders, property companies and building societies to merchant banks, Government departments and local authorities, Phoenix draws its inspiration and some of its basic concepts fom a report published last year by the National Council of Building Material Producers. This looked at ways in which US experience in reviving rundown areas could be used in the UK.

Under its chief executive, Christopher Ledger (a secondee from Shell) Phoenix will be trying to operate at a local level to identify suitable locations for development and to bring together the relevant parties including the institutions to undertake schemes.

"We intend to act as an independent non-axe-grinding group which can respond to requests for assistance. A local authority might, for example, have a scheme which it cannot get off the ground or a developer may be having difficulty putting a project together. We will help to organise public-private sector partnerships and then we will withdraw," explains Christopher Ledger. The group will not seek to operate in areas where its efforts are not welcomed by all parties concerned.

Implicit in Phoenix's approach is that it will seek to encourage initatives which extend over a wider scale than individual projects. It will encourage local authorities and developers to think in terms of a strategic plan for a whole area.

"We will say let us look at the jigsaw as a whole before trying to put in the pieces," explains Mr Ledger.

Phoenix will also act as a lobby suggesting possible new approaches or mechanisms to Government where it believes these are necessary. As it happens, one important new instrument, Urban Regeneration Grant, will become available when the Housing and Planning Bill passes into law and should make the wider area based approach to urban renewal which Phoenix is seeking to promote easier to achieve.

UDG, with DLG the main Government funding instrument currently available has, somewhat disappointingly, been used on only four schemes in excess of 15 acres, and is channelled through local authorities which provide 25 per cent of the funding. The new grant, URG, will be paid directly by Government to developers and will it is hoped encourage more larger scale schemes.

Yet, while Phoenix could be the catalyst which will help to get a number of tricky schemes off the ground, whether with or without UDG and URG support, the task in many areas seems likely to require an even wider geographical approach and bodies which can act as prime movers rather than intermediaries.

The major weakness, according to Miles Collinge, development director of the English Tourist Board is the lack of an effective local development agency which can act with speed.

"Given an effective local development agency rapid progress could be made. We are dealing with the future of our towns and cities and not simply the odd tracts of derelict land," he argues.

Following indications earlier this year that it was considering the idea, the Government is now believed to be close to an announcement of a further batch of development corporations which would seek to repeat the successes achieved by the two existing corporations covering London and Liverpool.

The shape and form which these corporations will take is still to be decided, however, reflecting in part some of the problems which a second generation of such bodies might will. In the first place, few cities have such concentrated areas of dereliction as London and Liverpool had when their corporations were established, making the problem of the exact areas to be designated much more difficult.

The Government, too, is likely to want to secure as big an involvement as possible both of the local authorities concerned, in order to minimise conflict, and of the private sector so as to cut down the cost to the public purse.

One possibility canvassed by the Chartered Institute of Public Finance and Administration is a contract system whereby an agency could be appointed for a fixed term with a brief to deal with the problems of an area. The agency could be public, private or joint in nature and would operate to guidelines laid down by the relevant public authorities. It would draw on public and private sector resources.

Hybrid development corporations of a sort have in fact already been set up in some locations and perhaps offer examples to other authorities whether or not Government designation of their areas is obtained.

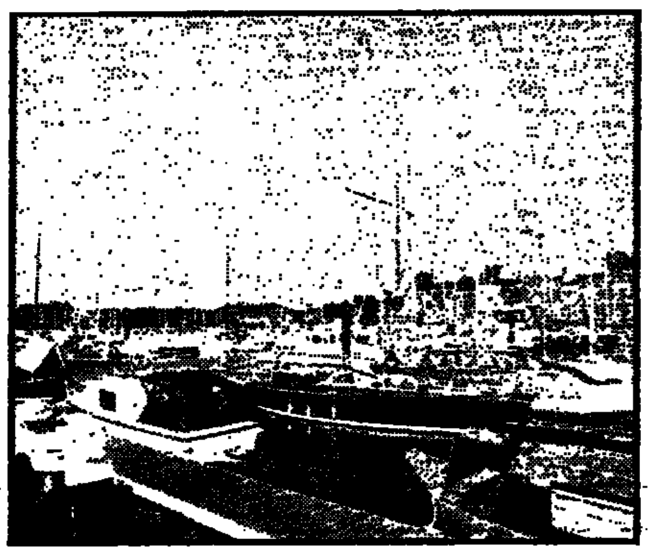
In Salford, for example, the local council, faced with the prospect of unco-ordinated development taking place in Salford Docks commissioned a firm of consultants with experience of working in London docklands to draw up an overall strategy and this is now being worked to by the private sector.

In other parts of the country major contractors have taken the lead in schemes. They will be encouraged to make use of the existing cocktail of grants available, in particular URG.

In another example of private-public sector co-operation, designed to deal with the problems of a major area, Trafford council has joined forces with a number of manufacturers on the Trafford Park estate, including GEC and Ciba Geigy, to draw up an investment strategy for the area designed to attract £550m of private sector money and create 16,000 jobs.

Whether these or any other similar projects will eventually be favoured by the Government as models remains to be seen. What is true, however, is that the importance of partnership between the public and private sectors in urban regeneration now seems to be widely accepted.

If this produces schemes which appear to be soundly based and which offer the prospect of being well managed this could even unlock the institutional funding which has in many cases been the missing element so far.



Hull Marina has attracted a wide variety of boats since it opened in one of the old Town Docks, close to the city centre, in 1983. New berths are to be added.

City centre transition

Hull city centre and areas of redundant dockland are undergoing remarkable change.

THE OLD Town and the Old Town Docks are forming the core of a remarkable transition within Hull city centre. In the process large areas of redundant dockland, rendered obsolete by changes in the pattern of international trade, have been brought back into use.

The three 19th century Old Town Docks which run up almost into the city centre were purchased by the city council in 1973, and in 1978 a scheme was adopted for the conversion of the two nearest to the Humber with a water area of 10 acres into an urban yacht marina.

The third dock is land-locked by a new road network but this has been partially restored in readiness for the Princes Quay scheme a £50m retail and leisure development by Teesland/Balfour Beatty, which will be built on stilts over the water, forming a link between two of the city's pedestrianised shopping and commercial centres.

At the time it was first conceived, Hull's urban marina had only one for-runner, St Katherine's dock by Tower Bridge in London. While there was no attraction to rival the Tower in Hull there was land nearby in the shape of the Victoria pier area which had become deserted with the discontinuing of the Humber ferry following the opening of the Humber bridge.

There were also several multi-storey brick warehouses, one of which has been refurbished as ground- and first-floor offices for the marina company. The remaining five floors are to be converted by a housing association into apartments with views of the river and old town.

Reclamation of the marina was seen by the city council as the vital catalyst to trigger many more public, private and joint developments in the city centre. A major part of the restoration involved the replacement of the wooden mitre gates to the Humber Dock by electrically operated sector gates to give rapid access and re-entry to the tidal river for three hours either side of high water. A new north wall was also constructed, and silt and debris, including several sunken barges, removed from the docks themselves, at a cost to the council of more than £3m.

Help in the form of Derelict Land Grant was provided by the Department of the Environment with the city paying for work ineligible for grant such as the mooring, marina fixtures and fitting and support services for yachtsmen.

This in turn has stimulated further investment by the private sector. Christian Salvesen Homes is undertaking a £3m housing project to the south of the railway dock with Urban Development Grant support, and C M Yuill is developing new houses at Kingston wharf close to the marina.

A £3.5m new hotel is also being built by Trusthouse Forte alongside the marina with UDG backing of £1.6m. In all, more than £16m of private sector development has been triggered by the use of UDG.

In the city centre itself the post-war clearance and redevelopment of Hull left enough fine buildings in the Old Town to make possible a comprehensive attempt at conservation. The Old Town itself, containing just over half of Hull's listed buildings, was declared a conservation area in 1973, and this led to a decision by two private sector companies to go ahead with warehouse conversion schemes. Wykeland has refurbished a derelict warehouse on the river Hull bank as offices, while a local entrepreneur has restored and converted another warehouse at the junction of Posterngate and Dagger Lane as an hotel.

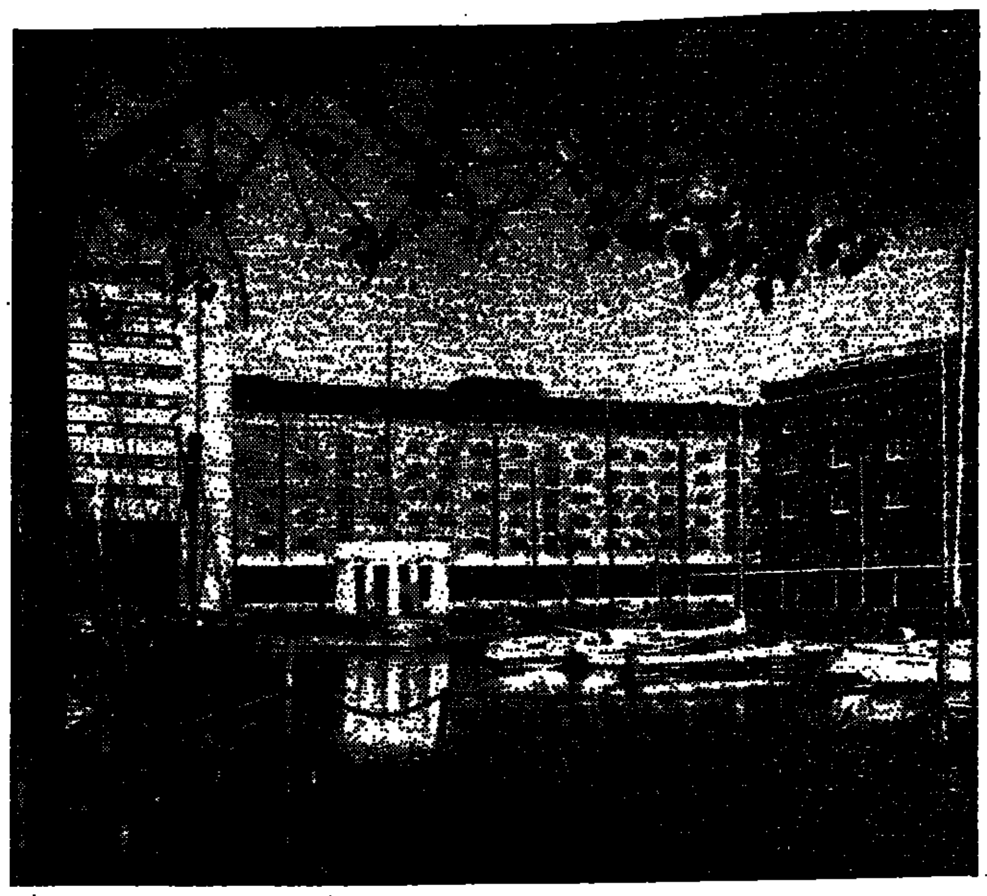
Hull's designation as an inner area authority has provided a further boost making it possible for developers to make use of housing improvement grants, and section ten grants from the Historic Buildings Council, as well as contributions from the inner area programme.

The usual form of development in the Old Town has been partnership with the city council, which provides buildings on a long lease as well as arranging grant support for developers.

Schemes have included the restoration of a Georgian Terrace off the Market Place primarily for residential use by F T B Hooson, the Pease Court development also by Hooson where three former warehouses have been turned into 100 homes for sale, and the conversion of High Street warehouses into offices, restaurants and residential accommodation. At the same time existing buildings have been complemented by infill development.

The city council itself has refurbished a number of old buildings for museum, light industry, and other uses including an indoor market. It is currently adapting the Old Grammar School, a grade one listed building, in the Market Place for use as an heritage centre.

The latest scheme is the restoration of Victorian property in Coltman St in an area particularly blighted by urban decay. The key has been a £2.8m contract for 101 new and refurbished houses being undertaken by Bellway Urban Renewal, with the aid of nearly £1m in UDG. Reflecting house prices in Hull which are 25 per cent below the national average, costs will range from £9,500 for a refurbished bed sit to £20,500 for a new three-bedroom house.



Dockland renewal in London: International House, seen from St Katharine's Yacht Haven. It is the headquarters of the London World Trade Centre, which houses about 400 member companies, including many from overseas.

New lease of life

Stoke-on-Trent could well provide a welcome confirmation of the longer-term strategy behind the site development for a national garden festival, as Brian Jacobs reports here.

The view across Stoke-on-Trent's new boating marina on the 130-acre National Garden Festival site reveals what urban regeneration can achieve when the resources of central and local authorities are harnessed to bring new life to an inner-city.

Beyond the lake, the festival pavilions can be seen, surrounded by trees and green parkland. Closer to the marina, a mass of flowers bloom where once stood the entrance to the old Shelton Steelworks. Just to the south, the main M6 Motorway link road channels traffic to the Festival and on into Stoke's main shopping centre, Hanley.

The road itself has only recently been completed, and it provides the Labour controlled City Council with an added selling point for the Festival Park as a potential industrial, leisure and residential development area. A number of large companies have already shown a keen interest in the Festival Park, strategically located midway between Birmingham and Manchester on the M6 and within two hours train travel distance from London.

Stoke's political leaders view the Festival development as part of an overall strategy to boost the local economy by way of local partnership arrangements with the private sector. In this traditionally moderate area, there has been broad acceptance of this approach, even on a local council which has the largest Labour majority in any major British city.

The political balance has actually produced a kind of local consensus which stresses city, as opposed to ideological, interests. Private investment is thus seen by both councillors and local employers as a crucial element in creating jobs and upgrading the urban environment. It is also regarded as a way of generating resources to help redress central government constraints on local expenditure, and recently announced cuts in Stoke's already modest urban programme funding.

That public/private liaison works in this co-operative political context is evidence by the development of a major new 332,000 sq ft regional shopping centre within sight of the Festival Park. The centre, designed by Michael Haskoll Associates, is being developed by Capital and Counties in a partnership arrangement with the City Council. Four massive construction cranes are presently working to construct the £45m centre which will incorporate the latest American style shopping features.

There will be three individually themed shopping malls at different levels, two atriums, wall climber lifts, internal "landscaping" and a 500-seat fast-food hall. A new market hall will link to 10 major shop units and 58 standard units which in turn will key-in to an existing Littlewoods and a rebuilt Lewis's department store with its own mini-mall shopping arcade. The scheme is expected to provide a least 1,250 new jobs.

The City Council hopes that the complex will be attractive to companies on the Festival Park, one argument being that employees will be able to spend their lunchtimes in the shopping centre and stroll around Hanley which is itself being extensively pedestrianised at a cost of over £300,000. To achieve this a £12m inner ring-road has been constructed, passing around the Hanley centre and distributing traffic away from existing shopping streets, and eventually on to an access road to the new shopping centre's multi-level car park. It is expected that the whole central area redevelopment will extend Hanley's retail catchment beyond Stoke's immediate hinterland to cover well in excess of 500,000 population.

The City has also attracted the interest of other retailers. Sainsbury is constructing one of its larger type supermarkets, again near the Festival Park, and there are plans to develop inner-city sites along the presently run-down Victoria Road near Hanley for warehouse type retail outlets. The prospect is thus one of an effective expansion of the physical bounds of the City's retail activities producing significant environmental and employment impacts on adjacent inner-city districts.

The City Council has also worked closely with the locally based Century Oils to facilitate the development of the company's extensive new high tech headquarters, consisting of offices and an industrial lubricant production unit set within a large landscaped area next to the Sainsbury's development. Being close to the Festival Park and the Capital and Counties shopping complex, the Century Oils development effectively contributes to the unification of a broad strip of inner urban development which promises to transform the whole spatial conception of the centre of the City.

To add to the effect, another high tech building has been constructed by the local Evening Sentinel newspaper overlooking the marina, and only a mile away from ECC International's new £3.6m computerisd ceramic processing plant. The ECC plant is intended to enable the UK pottery industry to benefit from modern production techniques which will enable it to compete more effectively with foreign firms and thereby consolidate one vital part of the City's industrial base.

Stoke is therefore experiencing the coming together of a number of projects which could produce precisely the kind of inter-related economic "multipliers" which are crucial to effective and sustained urban renewal. The Garden Festival, though likely to end with a substantial deficity, seems to have provided a vital stimulus in that it has not only had an ecomonic impact, but has generated a noticeable civic pride and confidence. The Festival has also strengthened Stoke's claim to be considered as a tourist base, providing an important "second string" to the industrially based urban renewal presently being pursued.

It may be, therefore, that the Stoke experience will provide a welcome confirmation of the longer-term effectiveness of the general strategy behind the festival concept nationally, and an indication that urban renewal can gather pace where there is substantial private and public investment following from a determined, geographically focused and well defined local policy on urban development.

A new look for Glasgow

Glasgow's revival over the past decade has been due in large measure to the Government-backed Scottish Development Agency, as Rhys David reports.

"GLASGOW'S MILES Better"—advertising hyperbole or reality? Evidence from the city centre itself, as any visitor who has not been to the city for some time will discover, provides some impressive backing for the claim.

Visually Glasgow looks a lot better than it used to with many of its fine Victorian buildings benefiting from an extensive programme of stone cleaning over recent years. Office space is becoming tight in some parts of the centre, where work is under way on several new speculative blocks. High quality shopping developments are being grafted into existing retail areas and expensive home are being fashioned out of old commercial premises.

Courtesy of one of the shopping complexes, a 400,000 sq ft scheme in Buchanan St, the city's principal shopping thoroughfare, under development by the French group Societe des Centres Commerciaux, City of London and European Property, Arbuthnot Latham and Standard Life, a brand new concert hall should soon be in place.

It is a sign of confidence, too, that a campaign has been launched to attract businesses from outside Britain as well as inside to make Glasgow the headquarters for their European or British operations. The drifting away of population has not ceased but in one area at any rate it has been reversed. Several English footballers have been signed for Glasgow's Scottish League clubs this season, a traffic that has hitherto been entirely the other way.

Glasgow's revival by almost universal acknowledgment has been due in large measure to the Government backed Scottish Development Agency which over the past 10 years has been able to deploy substantial resources tackling the chronic problems of industrial and economic decay faced by what was once proudly proclaimed the Empire's second city.

Its Glasgow Eastern Area Renewal (GEAR) project was one of the first urban renewal initiatives in the UK when launched in 1976 and has managed by a process of pump-priming to lever in large sums of private sector money. Areas of dereliction have been cleared away, 3,500 jobs have been created in new and refurbished industrial units and others saved.

The infrastructure and public sector housing have been upgraded and private sector housebuilders such as Barratt, Bovis, Broseley and Bellway have moved in. Total private sector housing investment in the GEAR area—previously largely shunned—now amounts to £87m.

The SDA's approach has changed substantially, however, since it was pitchforked into GEAR shortly after it was set up by the last Labour government, and it is its latest strategy which is mostly responsible for the new dynamism which can now be seen in the central business district.

"The agency wanted to go for potential as an alternative to concentrating on dealing with problems of deprivation. This meant bringing in the private sector which had previously seen itself as crowded out by the public sector, and which consequently was playing a much smaller role than we would have expected," Mr Edward Cunningham, the SDA's director of planning and projects observes.

The agency has been instrumental in putting together a scheme for the redevelopment of the 16-acre St Enoch railway station site, originally intended to rehouse 10,000 Ministry of Defence civil servants. Under a new scheme drawn up following the abandonment of that plan, the site is being converted at a cost of £60m for retail and leisure purposes by the Church Commissioners for England and the Sears Group. Another highly successful SDA-backed scheme is the Scottish Exhibition Centre built alongside disused dock facilities.

The SDA has also played a role with Glasgow District and Strathclyde Regional Councils and the private sector in a number of other schemes which are transforming the city centre including the £2.5m conversion of Briggait, a former fishmarket, into a Glasgow Covent Garden and the redevelopment of the commercial area around Ingram St as a high quality residential area, the Merchant City, complete with shops, restaurants and other leisure facilities. This as city planner, James Rae, notes builds on a long established tradition of city centre living in Glasgow.

Having set the ball rolling, however, the SDA has now decided it should create if possible even more room for the private sector, in the process encouraging a revival of risk-taking in the city by locally based and outside developers. The first step has been to set up with private sector backing a new body Glasgow Action the task of which will be to find "champions" prepared to push through schemes.

The starting point taken by Glasgow Action has been a report drawn up for the SDA by consultants McKinsey which outlined a number of ways in which the city could build on its position as Scotland's main business and population centre.

These include the drive to attract more head offices, development of a Scottish software sector linking in with Scotland's already well established electronics tradition, and encouragement to the professions to find export markets. Scottish consulting engineers derive 81 per cent of their fee income from the Scottish market and a further 9 per cent from the rest of the UK, while their English counterparts' business is split almost 50/50 between the UK and the rest of the world.

Tourism, a £70m a year earner for Glasgow, is seen as another promising area, with the Burrell collection of art treasures left to the city by one of its shipowners an important new attraction.

Ways in which Glasgow's main commercial streets could be brightened and made more attractive to incoming investors are also sketched out in a section of the report by planner Dr Gordon Cullen. This blends in a number of new ideas with plans already drawn up by the city council for improving the city's commercial heart.

Using this manifesto, Glasgow Action—which has as its founding members leading figures from the city's industrial and business life and from the area's two local authorities—will seek to stimulate interest among developers locally and nationally in possible projects in the city. The target is £200m-£300m of investment over the next ten years.

The aim in effect is to establish a virtuous cycle. As the city becomes brighter and more vigorous with improved shopping, leisure and cultural facilities, the negative image from which it still suffers in many quarters will, it is hoped, diminish making it in consequence more attractive to investors.

Can such an approach succeed and how big a contribution can it make to the major problems which remain within the conurbation? As an example of the process in operation David MacDonald, director of Glasgow Action quotes the decision by Broker Services, a subsidiary of Barclays Bank and NMW Computer Services to set up in Glasgow its computerised broking clearance system for the UK. The Glasgow business community helped to persuade the company that Glasgow was the right location, he argues.

It remains an uphill struggle, however, to counter the drift to the south east of headquarters activities. Volvo, for example, moved its truck headquarters from the Scottish New Town of Irvine, earlier this year not to Glasgow but to southern England where it can be closer to its clients, and jobs in Britoil, one of Glasgow's biggest headquarters operations, have recently proved vulnerable to the downturn in oil exploration.

Revival of the central business district in Glasgow, as elsewhere, represents, too only a small part of the major reconstruction effort needed in Britain's big cities. Some big schemes are under way in Glasgow's outer estates including a £4m redevelopment by Barratt Urban Renewal at Easterhouse which is creating refurbished and new flats and houses for sale.

Poor housing conditions and lack of unskilled and semi-skilled jobs remain major problems, however, over very large parts of the city, yet the resources needed to deal with them are diminishing. Glasgow reckons to have 25,000 inter-war dwellings in need of improvement yet has been receiving only one third of the funds it needs to carry out the necessary work.

In a stark warning the city said in its 1984 plan that the amount of money available would not be sufficient to sustain the district if present trends continued. The decline of inner urban areas would continue and would begin to spread to outer suburbs if the resources were not available to make sure these areas could be maintained.

There are parts of Glasgow which could clearly still get miles worse even while other parts and in particular the centre get better.

A proposed piazza to bring high-quality shopping facilities to the heart of the Ingram Square development in central Glasgow.

Fresh approach in Lancashire

In "deep Lancashire," the declining heart of the industrial revolution, planners are taking a strategic view of urban renewal along the Leeds Liverpool Canal corridor, as Ian Hamilton Fazey reports here.

URBAN RENEWAL is not just about big cities, but small towns as well. In the north of England there are many such, blighted by dereliction and trapped by their own history.

Many grew during the industrial revolution because they were linked by the era's main means of transport—the canals. Today, the canals are barely used and dereliction surrounds them almost wherever they pass through a town centre. In Lancashire and the borough of Wigan, plans are afoot to change all that.

When it was completed in 1816 the Leeds and Liverpool Canal was one of the great civil engineering achievements of the period. It linked the thriving port of Liverpool with the Lancashire towns that led much of the industrial revolution.

At 125 miles it was the longest man-made waterway in Britain and it brought great prosperity to places along its entire length. It created the towns of Wigan, Chorley, Blackburn, Accrington, Burnley and Nelson, where populations soared as the canal carried away coal from local pits, textiles from the mills, stone from the quarries and farm produce from the land between the towns.

Every one of those towns now has exactly the same problems of decline, dereliction and a need for renewal. Indeed, the Leeds and Liverpool Canal corridor contains 6 per cent of England's derelict land all on its own, and nearly 29 per cent of the dereliction of the English north west.

Unemployment along the corridor averages nearly 17 per cent in a series of blackspots as bad as almost anywhere in Britain. In the context of a region that includes the large conurbations of Greater Manchester and Merseyside, which have 4m people between them and massive problems of decline, the canal corridor's problem is therefore comparable. Indeed, recognising it as a single problem—rather than as a collection of small-town ones—has been the crucial factor in new plans for the towns along its towpath, which were published last month.

The study, by Pieda planning and economic consultants, cost £160,000, and has been funded jointly by Lancashire County Council, Lancashire Enterprises, British Waterways Board, Wigan metropolitan borough, and the local authorities of west Lancashire, Chorley, Blackburn, Hyndburn, Burnley and Pendle. Half the cost will be recouped from the European Regional Development Fund.

The study proposes an £80m, 10-year, co-ordinated programme of works along the canal corridor and suggests 11 pilot projects that will form a £10m-plus first phase. The participation of British Waterways is significant not only because of the canal itself but because its chairman is now Sir Leslie Young, the former chief executive of the Bibby Group and the first chairman of the Merseyside Development Corporation.

The plan is now being put to the European Commission where it will be used to support individual bids for aid on a wide range of specific projects. These would involve both public and private sectors.

Although the scale of the total plan is large, it breaks down into many realisable projects, each of which is within the scope of local authorities working with private sector companies and developers in their area.

An example of what can be achieved can be seen at Wigan Pier, where £3m has turned disused wharves and warehouses into a handsome complex of refurbished brown brick buildings and waterside footpaths for leisure and commercial use.

This sort of venture is not too big to deter individual companies from taking part. It is attractive to local breweries, for example, and this in turn creates a traffic of people using pubs and restaurants.

Wigan's example has already set the tone for one of the canal corridor pilot projects, which is at Eanam wharf in the centre of Blackburn. About £1m has already been committed here for redeveloping a cluster of redundant canalside buildings that should transform the appearance of a substantial part of the town centre.

Building work is expected to begin soon on a business development centre and a pub and restaurant. The centre will provide "one-stop shopping" for business advice, workshop units, meeting rooms and central services for small businesses.

Other proposals for Eanam wharf are a resource centre for the local clothing and textile industry and industrial units on land opposite the wharf. Water-based leisure activity is also planned.

A similar core—pub and restaurant, together with a complex of studios, workshops and offices—is proposed for Leigh Wharf. This will be very belated urban renewal: the site dates from 1780 and is at the junction of Leeds and Liverpool, Leigh Branch and Bridgewater canals.

The area around the old warehouses will be developed as waterside gardens so as to open up the canal to Leigh town centre. Offices are to be built on an old builders' yard, bringing more people back to the waterway. Private sector interest is high, with a start expected early next year on the £1m projects.

In Burnley, an historic building is the centre of canal corridor proposals. It is the clock town mill, a six-storey relic of a formerly thriving textile industry. It stands in a run-down area of the town centre called the Weavers' Triangle.

Although in declining condition, the building is sound enough to be restored to full use. It is hoped to house within it a business development centre, workshops, studios, training facilities, as well as the town's information technology centre and local enterprise agency.

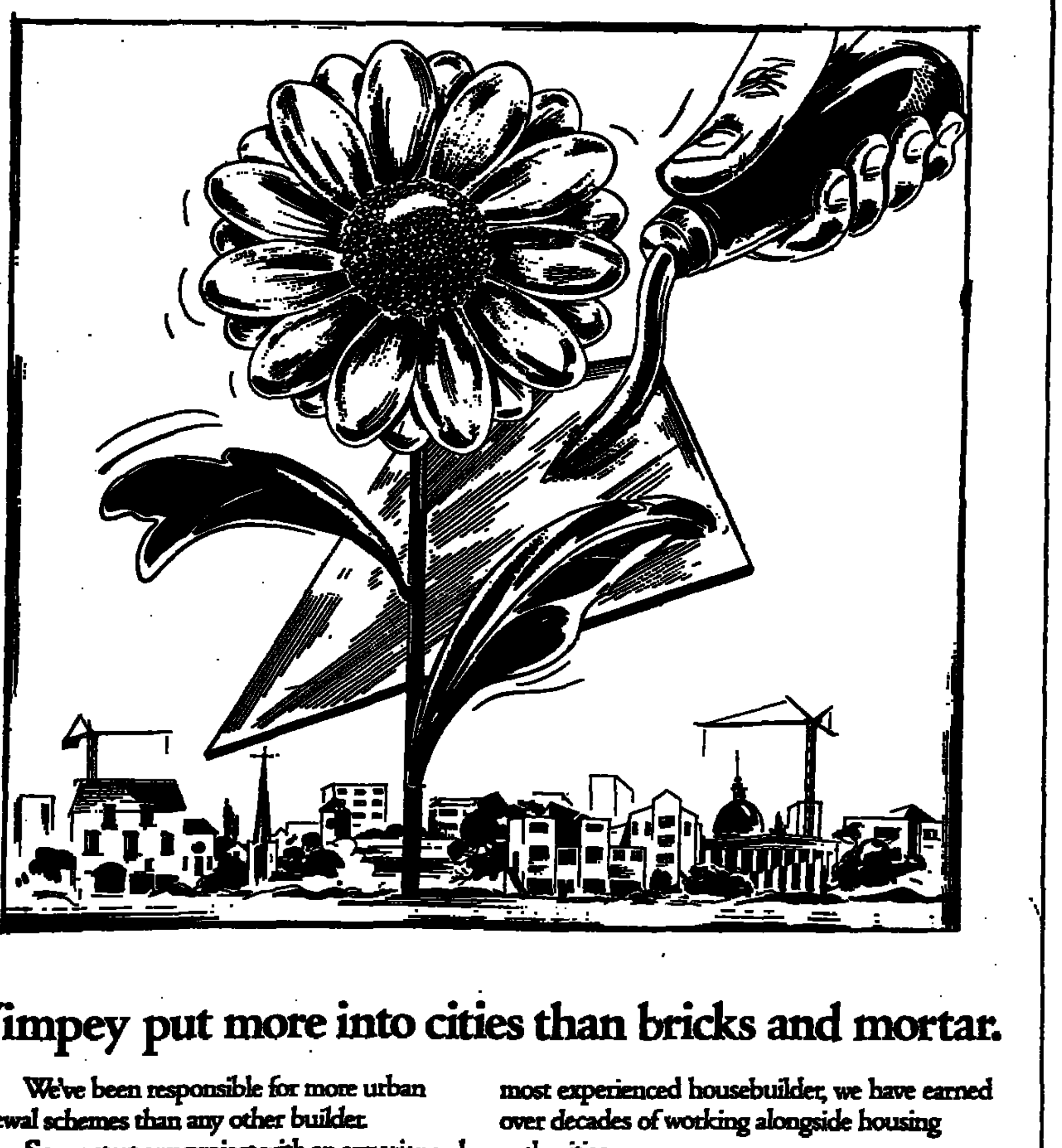
The scheme will rely on partnership with a private developer who would acquire the mill, and commitment of public and private sector funds for its refurbishment. Environmental improvements along the canal would be carried out in tandem.

Other pilot schemes for the canal corridor would lead to similar developments in Chorley and Hyndburn. At the same time there would be a push to develop waterside or water-based leisure at Wigan Flight, a series of 21 locks, and on the 600-acre, largely derelict site of Wigan power station.

Further development of existing tourist attractions at Martin Mere, a wildfowl centre near Ormskirk, and Pendle, where there is already a heritage centre, are included in the canal corridor plans. These would help balance and integrate all the other projects, as well as ensuring that all areas the canal passes through will have a direct interest in what is happening.

Thus, the whole canal corridor idea, which is believed to be the first of its kind, takes a strategic view of urban renewal in "deep Lancashire," the declining heartland of the industrial revolution. In doing so it supersedes the sort of piecemeal approach that would haxve typified attempts at renewal only a few years ago.

It also looks achievable. Many other areas are sure to watch its progress closely.



No panacea on Tyneside

Gateshead, on the south bank of the Tyne, has attracted a creative mixture of different approaches to urban renewal, as Ian Hamilton Fazey reports.

GATESHEAD, on the south bank of the Tyne opposite Newcastle, was where a lot of old industry was concentrated, and the borough has the environmental scars to prove it.

Here once flourished a community founded on coal, chemicals, glass manufacture, and heavy engineering. There was little separation of where people lived and worked, so as old industries declined they left behind acres of dereliction.

Urban renewal in Gateshead is therefore concerned with the whole environment. The local authority has the key role and recognised early on that there is no panacea. As Mr David Hagg, the urban programmes officer, puts it: "We don't see a particular solution to the problems."

The result is what is referred to locally as Tyneside's south bank show—an interesting and creative mixture of different approaches. There are council schemes, major projects by private developers, and Government sponsored initiatives, including Britain's 1990 national garden festival, which will be held on a presently derelict 200-acre site in the heart of the town.

The garden festival organisers hope to benefit from a national learning curve as a result of the festivals at Liverpool in 1984, Stoke-on-Trent this year, and Glasgow in 1988. One reason why they need to is that it will be held on what is probably the most awkward site to date.

It is like a dementedly abstract figure of eight with a flattened and skewed triangular top, and an elongated strand joining it to a rounder bottom part. The Tyne forms the top edge, lapping up against a long, disused pier which curves out from the river bank to run parallel to it.

Coal-filled wagons used to trundle along it and discharge into ships moored alongside. All that is ended, but to demolish the pier would be prohibitively costly. Instead it will be done up and will enclose the festival's marina and water feature, which will lie between the pier and the river bank.

The main part of the site—the bottom half of the "8"—is a wasteland, the legacy of a combined gasworks, tarworks and cokeworks, with their attendant acres of railway sidings.

It will cost £30m to reclaim the site and stage the festival. "We shall be using £7m of derelict land grant in five years instead of 25 years," says Mr Ron Young, the council officer in charge of the 10-strong team working on the festival.

Afterwards the site will be turned over to urban parkland and housing, which will be a mixture of private build-for-sale, council homes and housing association projects.

Gateshead has already proved what the creation of urban parkland can do to lift an area and give people more confidence in renewal policies. More than 12 miles of the south bank of the Tyne have been cleaned up—and that has meant eliminating the river's stench as well as running a "litter-boat" service with neighbouring Newcastle to pick up offensive flotsam.

On the south bank, there is an increasing amount of greensward, the most notable example of which is the east Gateshead riverside park, created from despoliation caused by chemical waste heaps and derelict industrial, mining and chemicals sites.

Nearby is the 20-acre Bill Quay Community Farm, a smallholding concentrating on rare breeds, which serves as a centre for agricultural and rural studies, even though it is in a town.

The biggest private sector development is taking place on yet another derelict riverside site. This one is 100 acres in size and up river near Scotswood Bridge and Blaydon, where the famous races were held. It was unattractive and waterlogged but through government grants the risk of developing it has been eliminated.

It now houses the Metro centre, a gigantic complex of hypermarkets and the first of its generation of such developments in Britain. The key reasons for developing it where it is were its easy links via the A69 with the whole of Tyne and Wear and its 1.3m people.

The project is the work of Mr John Hall of Cameron Hall Developments. He already has Carrefour on the site, with Marks and Spencer opening a giant store there too next week. Spacious shopping malls will offer a range of shopping unparalleled in the area, if not the north as a whole.

Not all of Gateshead's renewal projects are new, however. One experimental scheme is the Avenues Project, which involves the council, North Housing and the Northern Rock Building Society. It aims to conserve a neighbourhood of old back-to-back terraces which are set out in avenues and rows on a hillside near the city centre.

Refurbishment will not take place piecemeal, but on a block-by-block basis, with the whole community involved. About £1m will be spent on the Avenues Project next year, with every attempt to actively involve the 4,200 people who live there. A community refurbishment scheme, for example, will eventually spend £750,000 of urban programme money and another £700,000 from the MSC as local people come off the unemployment register to be paid to do the work.

The other big development in Gateshead is a new £29m civic centre, opening early next year. This will enable a move out of the cramped confines from which council operates at present and will emphasise its role as the central mover in a series of partnerships with the government and private sector aimed at leading the town into a new stage in its history.

The overall approach is certainly a project-by-project one, but pulled together into a general strategic framework by a local authority acting virtually as a development agency.

The variety of approaches, with private developers in the same boat as housing associations and labour leaders says a great deal for the degree of co-operation that a local sense of community can bring.

As Mr Les Elton, Gateshead's chief executive says: "This area suffers from isolation but it also benefits from it." The community is forced to look to its own resources and work readily towards common objectives.

Mr Elton regrets, however, that the abolition of the Tyne and Wear county council has removed a strategic overview, as well as an important source of funds and co-ordinated spending between the five local authorities in the conurbation.

He adds: "It throws a heavy load on the districts to co-ordinate things. It's a drain on us. There were another 100 councillors and another set of officers when the council was there."

Now the districts have much extra to do and there is some local worry about how they will cope.

Mr Nicholas Ridley, the Environment Secretary (left), and Mr John Patten, the Urban Affairs Minister, are both keen to see more funds flowing into the most deprived and decayed inner city areas

Where to go for assistance

SOME 70 reports on housing conditions and the urban environment in Britain have been published in the last three years and at least as many different organisations from both the private and public sectors are now involved in trying to tackle the problems involved.

Below is a list of some — but by no means all—of the groups offering help, guidance, or assistance, financial or practical.

● **Brick Development Association:**
Britain's brickmakers have been enthusiastic supporters of the new drive to regenerate inner cities. The trend towards refurbishing buildings, rather than replacing them with new developments, has encouraged the industry to revive production of a number of speciality products designed to blend in with the existing environment.

The "brick message" has been emphasised in a nationwide poster campaign and through a series of presentations throughout the country for planners, civic leaders, architects and designers. The address to contact: Woodside House, Winkfield, Berkshire, SL4 2DX, Tel: 0344 885651.

● **Business and the Inner Cities:**
A new mechanism sponsored by Business and the Community, the umbrella body for Britain's enterprise agencies and intended to help companies become involved in partnership initiatives in support of inner city regeneration. The address to contact: 227a, City Road, London EC1V 1LX, Tel: 01-253 3716.

● **English Heritage (and its counterparts in Wales and Scotland).**
Offers grants towards the repair of historic buildings and towards conservation area schemes. Has backed schemes in Newcastle, Bristol, Liverpool and other centres. The address to contact: 25, Savile Row, London W1X 2ST. Tel: 01-734 6010.

● **English Tourist Board:**
Through its Tourism Development Action Programme the ETB has become involved in urban renewal projects in a number of English cities. The scheme is designed to bring local authorities, the private sector and the board together to find ways of promoting better tourist facilities. The board has access to a range of grants designed to help projects get off the ground and also provides consultancy services to local authorities. The address to contact: Thames Tower, Black's Road, London W6 9EL, Tel: 01-846 9000.

● **European Community:**
Able to offer through its regional development fund assistance towards infrastructural and industrial projects and to help areas where older industries are in decline. All applications have to be channelled through the UK Government Department of the Environment 2, Marsham Street, London, SW1P 3EB. Tel: 01-212 3434.

● **House-builders Federation:**
Currently engaged in a consultation exercise aimed at establishing the potential market for private housebuilding in the inner cities and what federation members can do to meet it. Studies under way in Bristol, Cardiff, Leeds, Leicester, London, Luton, Newcastle, Portsmouth, Salford, Sandwell and the Black Country. The address: 82 New Cavendish Street, London W1M 8AD. Tel: 01-580 5588

● **Housing Corporation:**
Public agency channelling government finance to housing associations for the development of homes for people in housing need. The address: 149 Tottenham Court Road, London W1P 0BN. Tel: 01-387 9466; National Federation of Housing Associations, 175 Grays Inn Road, London WC1X 8UP. Tel: 01-278 6571.

● **Inner City Enterprises:**
Set up originally to try to channel institutional funds towards urban renewal projects, it met with only limited success. Has subsequently added the role of principal to its other one as agent and now has its own funds for backing projects. The address: 23 Maddox Street, London. W1R 0BN. Tel: 01-629 3087.

● **National Federation of City Farms:**
Co-ordinating body for the numerous city farms operating on derelict land in Britain's urban areas. Currently seeking ways to help city farmers develop businesses that can be of benefit to the community. The address: The Old Vicarage, 66 Fraser Street, Windmill Hill Bedminster, Bristol BS3 4LY. Tel: 0272 660663.

● **National Council of Building Material Producers:**
Its report, the Phoenix Partnership, has been followed by the creation of Phoenix which brings together a number of interested parties with the aim of assisting urban renewal projects to get under way. The address: 10 Great George Street, London SW1P 3AE. Tel: 01-222 5315.

● **Royal Institute of British Architects:**
Established earlier this year a special inner cities committee to work on a multi-disciplinary approach to urban renewal. An interim report will be published in November. The address: 66 Portland Place, London W1N 4ADF. Tel: 01-580 5533.

● **Planning Exchange:**
An information service providing subscribers with details on urban renewal initiatives. A particular emphasis is put on partnerships which have been formed to assemble the resources needed for development and which have found imaginative new uses for dormant land and buildings. The address: 186 Bath Street, Glasgow G2 4HG. Tel: 041-332 8541.

● **Neighbourhood Revitalisation Services:**
Sponsored by the National Home Improvements Council, NRS is trying to tackle the problems of deteriorating housing in older urban areas through co-ordination of public and private sector resources. The address: 26 Store Street, London WC1E 7BT. Tel: 01-636 2563.

Conference on community architecture

* Billed as the first major conference on community architecture, the Building Communities conference scheduled for November 27 and 28 at the Astoria Theatre, London, will be chaired by Lord Scarman and will include contributions from leading participants in the field and from the main political parties.

Details from the organisers, Community Architectural Information Services (CAIS) Ltd, 5 Dryden Street, Covent Garden, London WC2E 9NW. Tel: 01-240 2430.

Earlier, on November 20 and 21, the Chartered Institute of Public Finance and Administration, and the Municipal Journal, are organising a conference on the theme, "Cities 2000."

Speakers will include Mr Nicholas Ridley, the Secretary for the Environment, Dr Jack Cunningham, Shadow Spokesman on the Environment, and Mr Eddie Oliver, Deputy Chief Executive of the London Docklands Development Corporation.

Details are available from "Cities 2000," Municipal Publications, 178-202 Great Portland Street, London, W1N 6NH. Tel: 01-637 2400.

● **Regeneration of Inner City Economies (RICE):**
An independent committee established by Unity Trust, the trade union financial institution, under the chairmanship of Mr David Basnett, former general secretary of the General and Municipal Workers. The committee, which includes as members the CWS, local authority planners and professional and property firms, will provide backing for suitable schemes through Unity Trust and other financial institutions. The address to contact: Unity Trust, 1 Carlisle Avenue, London, EC3N 2ES, tel. 01-265 1147.

● **A separate survey on the transformation that has taken place in London Docklands appeared in the FT on October 1, 1986.**

Rhys David

Pace-setting City

In Birmingham Britain's second city, a Labour administration is moving quickly with the private sector in tackling urban renewal, as Arthur Smith reports.

BIRMINGHAM, with its traditional municipal enterprise, is setting the pace in dealing with the challenge of urban renewal. The Labour controlled local authority, backed by the Conservative opposition, has already submitted proposals jointly with the private sector to set up an urban development agency to redevelop up to 2,000 acres in one of the deprived parts of the city.

The project, embracing the rundown Aston/Nechells district under the shadow of the famous M6 Spaghetti Junction, would require investment of at least £40m a year for the next 10 to 15 years.

Council leaders alongside businessmen, builders and bankers gave a presentation in July to Mr Nicholas Ridley, the Environment Secretary. They did not make light of the scale of the enterprise: The risks for the private sector in setting up a development company to undertake the works were very great, the total investment massive, the initiative unprecedented. It was a new product with no proven market.

Birmingham City Council has argued strongly that it does not require the Government to create a development corporation, as in the London docklands. It maintains it has the staff, enterprise and expertise to tackle its own problems. The only shortfall is resources and there is a predictable plea for "net additional financial support."

Evidence of the political consensus that rules in Britain's second city when it comes to commerce and wealth creation is the fact that the Labour Council has gained support for the agency from big names like George Wimpey, Bryant Holdings, Robert M. Douglas, Galliford, Citibank and Lloyds Bank accountants, Touche Ross, and stockbrokers, Albert E. Sharp.

The construction groups, with detailed information provided by the city council, are working on outline proposals to assess the problems and opportunities. The aim is to complete a feasibility study and draw up a renewal plan by the end of the year.

The renewal plan complete with a phased programme for schemes, each assessed according to its commercial viability would be subject to a new fast, flexible and responsive planning system.

The fact a Labour administration has been able to move so quickly with the private sector is a reflection of the scale of the problem, the political traditions of the city and the skills and personality of veteran leader, Dick Knowles.

Birmingham, once a symbol of Britain's post war prosperity and the burgeoning success of the nation's engineering and motor car industries, has been stung by the depth and pace of recession that has swept away factories and jobs in recent years.

Pride was stung by Department of Environment research that showed the city to have the UK's greatest concentration of inner city deprivation indicated by: the highest unemployment rate, the fastest increase in the level of jobless, the worst overcrowding, the largest concentration of ethnic minorities and the biggest proportion of single-parent families.

Even against the background the much-publicised Handsworth riots, the ruling Labour group has not veered to the extreme. Birmingham is a city conscious of the need to maintain prosperity and where the political pendulum has swung predictably between the two main parties according to national trends.

Dick Knowles, agent for deputy Labour leader, Roy Hattersley, is a wily campaigner. Colleagues confess in private he might be walking a tightrope but he has kept the group together.

There can be little doubt that he might have warned Conservative ministers they too must bend if he is to hold the line and prevent Birmingham adopting the militant Liverpool line. The success or otherwise of the bid to set up a development agency embracing the private sector will be a key test.

Birmingham has a track record of delivering economic initiatives regardless of party. The National Exhibition Centre, a venture pioneered by the local authority in partnership with the Birmingham Chamber of Commerce, is trading profitably and embarking upon a £200m programme to double its size.

Work has started on the £130m scheme, backed by funds from the European Community to establish Birmingham as one of the key cities in the growing international convention centre business.

Birmingham beat off competition from London and Manchester to be chosen as the UK representative in the bid to host the 1992 Olympics. The city will be a strong contender alongside Barcelona and Paris when the International Olympic Committee votes in Lausanne later in October.

Whether or not Birmingham gains the undoubted economic stimulus that would come from staging the games, it has gained international publicity and generated investment inquiries.

For its proposed urban development agency, Birmingham envisages a top tier holding company on which the local authority will have the majority but which will also have representatives from industry, commerce and financial institutions. The council insists that as a major land holder it must assert overall control and prevent a "free-for-all."

The public sector, by providing the infrastructure and funds through the urban regeneration grants, must carry the initial burden of the project. Equally, it is accepted the private sector will only participate if it can see profits are to be made.

The "engine room" for the agency is seen as a new development company which would be "a private, market-led, profit seeking, creative development business." The local authority would have only a minority equity stake through its land holding with the bulk of the initial finance coming from the construction groups, Birmingham companies and the institutions.

The Development Agency, while concentrating on only a sector of the city close to the M6 and the motorway network, is seen as the means to provide prime sites to generate new industries and employment for the future. It would offer opportunities for areas of concentrated housing such as Handsworth which currently has a mere two acres suitable for industry.

While Birmingham has been working closely with the private sector, the West Midlands region of the Confederation of British Industry is urging the Government to set up a development agency to deal with the problems of the economic region as a whole.

Mr James Cran, regional director, argues: "We don't want to stifle any initiative by Birmingham but what about the rest of the region—the Black Country and Stoke?"

The CBI maintains that for all the Government and local authority initiatives so far undertaken the root problem of economic decline in the West Midlands has still to be tackled: "There has been a general failure to attract private sector investment and, in some cases, a lack of decisive executive action."

The CBI advocates the creation of an urban development agency appointed by the Environment Secretary with local authorities, but with the business community holding the majority membership.

Such a body, funded primarily from existing urban programme funds, but with additional government money made available, would target resources on development in well-defined areas and provide speedy decision-making.

Mr Cran declares: "The West Midlands is too divided. Business and the local authorities need to learn to sing with the same voice if the problems of severe economic and social decay within the inner cities are to be tackled decisively."